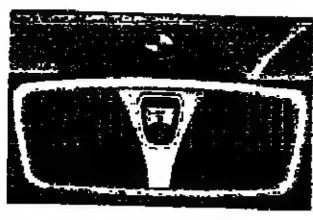

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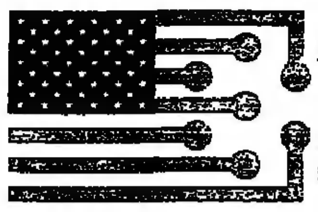

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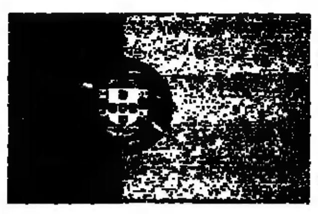

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FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY FEBRUARY 22 1994 — D8523A

Former London head of CSFB quits the parent board

Hans-Jörg Rudloff, longtime head of Credit Suisse First Boston in London, has left the Swiss CS Holding financial group "to pursue personal and family business interests", according to CS.

Mr Rudloff was one of the leading figures in London's international capital markets throughout the 1970s and 1980s. He joined CSFB in 1980 and kept it throughout the 1980s among the top Eurobond and equity houses in the City. Page 21

German union sets strike date: IG Metall, the German engineering workers' union, is set to begin strike action in the north German state of Lower Saxony on March 7 and extend it if its demands are not met, the union said. Page 20

Seven-year low for Mexican economy

Mexico's economy grew 0.4 per cent last year, the lowest rate for seven years, and far short of the November government forecast of 1.1 per cent, government statistics show. For the first time in the administration of President Carlos Salinas (left), economic growth has been outstripped by population growth. Page 6; Trying hard but could do better, Page 6

Norsk Hydro, Norway's largest publicly-quoted company, reported a sharp increase in 1993 profits, helped by lower costs, higher crude oil production and the disposal of the group's stake in a Norwegian chocolate producer. Page 22

British Land, UK property company, has acquired 29.9 per cent of the property company Stanhope, in a deal aimed at giving chairman John Ritblat and George Soros control of the prestigious Broadgate Centre in London. Page 21; Lex, Page 20

Kersaf Investments: Strong performances from its hotel, casino and cinema interests boosted interim results at the South African-based leisure group. Pre-tax profit advanced 15 per cent to R233.9m ($67.7m) from R202.9m in the half-year to December 31. Page 23

S African right snubs ANC move: Right-wing parties in South Africa rejected compromise constitutional proposals from the African National Congress and refused to attend a multi-party conference to discuss amending the constitution to meet their demands. Page 4

Rhône Poulenc, French chemicals and pharmaceuticals group, launched what it described as a friendly FFr3bn ($500m) bid for Cooperation Pharmaceutique Française, which is one of France's biggest distributors of drugs and healthcare products to retail chemists. Page 21

Fishing dispute threatens EU talks: The European Union was last night struggling to agree a line on the fishing industry in the membership talks with Austria, Sweden, Finland and Norway, which restart today in the increasingly remote hope of concluding by March 1. Page 20

Brambles: A large write-off at its US incineration subsidiary caused the Australian transport, equipment hire and waste disposal group to post a A$313.9m (US$223.9m) six-month loss after tax and outside equity interests. Page 23

Warsaw looks to end air row: Poland is seeking to end the long-running dispute between British Airways and Lot, the Polish state-owned airline, which has blocked direct flights between Poland and the UK since October 30. Page 7; Japanese airline applies to slash fares, Page 7

Newcomers in Italian poll: More than 80 per cent of the members of Italy's next parliament are likely to be new to national politics or politicians who have changed parties. Page 2

Higher capital proviso for banks: Russia increased the minimum capital requirement for commercial banks by 20 times to Rbs2bn ($1.27m at the market rate) in an attempt to flush out hundreds of small under-capitalised banks and consolidate the banking sector. Page 20

Daiei, Japanese supermarket chain, has formed an import buying partnership with Marubeni, a general trading company, the first tie-up between a leading Japanese trader and retailer. Page 24

Islamic threat played down: Bankers in Cairo sought to play down any possible threat from Islamic extremists who have warned that Arab and foreign banks were a target in their anti-government campaign and set today as a deadline for people to withdraw money from what they called "usurious monuments". Page 4

FT guide to world currencies: The guide to world currencies which appeared in yesterday's FT used figures which were a week out of date. The correct table appears in today's paper on Page 29. We apologise for the error.

■ STOCK MARKET INDICES

FT-SE 100:	3350.3	(-32.3)
Yield	3.52	
FT-SE Eurotrack 100	1483.51	(-11.49)
FT-SE-A All-Share	1686.95	(-0.9%)
Nikkei	19,393.94	(+434.34)

■ LONDON MONEY

3-mo Interbank	5⅛%	(same)
Liffe long gilt future:	Mar 114$\frac{11}{32}$	(Mar115$\frac{13}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Apr)	$13.18	($13.25)

■ GOLD

London	$380.1	($378.5)

■ STERLING

London:

$	1.4752	(1.4788)
DM	2.5478	(2.5406)
FFr	8.6587	(8.6385)
SFr	2.1464	(2.1443)
Y	158.866	(154.239)
£ Index	80.7	(80.4)

Tokyo close Y 105.23

The New York markets were closed yesterday

Austria	Sch32	Greece	Dr350	Lux	LFr65	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Malta	Lm0.60	S Arabia	SR11		
Belgium	BFr65	Hungary	Ft 185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lw25.00	Iceland	IKr215	Neth	Fl 4.00	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira50	South Africa	R12.00		
Czech Rp	CZK50	Israel	Shk8.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Finland	FM14	Jordan	JD1.50	Philippines	Peso50	Syria	S£50.00		
France	FFr9.00	Kuwait	Fils625	Poland	Zl 32,000	Tunisia	Din1.500		
Germany	DM3.50	Lebanon	US$1.50	Portugal	Esc225	Turkey	L13000		
						UAE	Dh12.00		

Honda to end share link with Rover

Japanese carmaker to review contracts with UK group

By Kevin Done and John Griffiths in London and Michiyo Nakamoto in Tokyo

Honda, the Japanese carmaker, is to end its minority shareholding link with Rover just three weeks after the controversial takeover by BMW of Germany of a controlling stake in the UK company.

Mr Nobuhiko Kawamoto, Honda president, and Mr Bernd Pischetsrieder, chairman of BMW's management board, met yesterday in Tokyo for the first time since the German executive and luxury carmaker stunned Honda with an £800m deal to buy British Aerospace's 80 per cent stake in Rover.

Honda said after the 90-minute meeting that it intended to end its "mutual equity holding relationship" with the Rover group formed in 1990.

Honda currently holds a 20 per cent stake in the Rover vehicle operations (including Land Rover), while Rover holds a 20 per cent stake in Honda of the UK Manufacturing, the Japanese carmaker's £370m car and engine assembly plant at Swindon, Wilts.

Honda made clear yesterday that in the long term it intended to wind down its collaboration with Rover, which dates from 1979, although it left the way open for existing co-operative projects such as the production of the Rover 600/Honda Accord and the Rover 200/400/Honda Concerto to be continued.

In a statement Mr Kawamoto said: "The series of contracts now existing between Honda and Rover will be reviewed in future business discussions.

"In the future we intend to create a more independent operation in Europe, using our own resources."

In London Mr John Russell, managing director of Rover International, emphasised that Rover believed there would be no changes in existing collaboration agreements or component supply arrangements.

Project HH/Theta, Honda's and Rover's respective replacements for the current Honda Concerto/Rover 200-400, would also go ahead as planned. Production has been scheduled to start in the autumn.

Yesterday's Tokyo meeting, which also included Mr John Towers, Rover managing director, had taken place in a "friendly" atmosphere, said Mr Pischetsrieder.

While Honda would not reveal details of the talks, it emphasised that its decision to sever the equity links had been based on what BMW had brought to the negotiating table at the meeting.

"This time we listened to what BMW had to say and then told them what our intention was," Honda said. Terminating its equity relationship with Rover was only one of several options Honda had been considering until today's meeting, it added.

BMW said the 20 per cent cross-shareholdings between Rover and Honda's UK manufacturing subsidiary would be swapped leaving it in 100 per cent control of Rover. In addition it would have to make a cash payment of about £30m to Honda under the terms of the original 1990 share exchange agreement.

Meanwhile Sir Teddy Taylor, a Conservative MP, urged the UK government to apologise to Honda for the "scandalous" way it had been treated. The company had been "taken to the cleaners".

Mr Robin Cook, Labour shadow trade and industry secretary, said: "The danger for Rover is that customers will lose confidence and the workforce will lose morale if the uncertainty is not ended swiftly.

Mr Tony Woodley, Transport and General Workers Union motor industry secretary, said the relationship between Honda and Rover now appeared to be "dead".

- Honda owns 20% of Rover
- Rover owns 20% of Honda of the UK Manufacturing
- Rover produces under licence from Honda the Rover 400 and 600 and PG1 gearbox for its own T-Series
- Honda supplies V6 engine for Rover 800
- Honda supplies 2.0L and 2.3L engines for Rover 600 and 1.6L engine for Rover 200/400.
- Land Rover Discovery is sold in Japan as Honda Crossroad.
- Honda and Rover are developing replacement for Rover 200/400/Honda Concerto

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Western calls to capitalise on Bosnia ceasefire

By George Graham in Washington, Judy Dempsey in London and John Ridding in Paris

Disagreements were already emerging yesterday among western calls to capitalise on the ceasefire and continuing demilitarisation of the Bosnian capital Sarajevo.

President Bill Clinton promised to renew US efforts to achieve peace in Bosnia, using the "breathing space" won by Nato's apparent success in forcing the withdrawal of heavy guns from around Sarajevo.

But at a White House press conference, Mr Clinton remained wary about issuing further ultimatums in other areas of Bosnia, cautioning that Nato should "not undertake a mission it is not able to perform".

However, Mr Willy Claes, Belgium's foreign minister, said the Nato ultimatum should be ready to go further: "The Nato partners ... in consultation with the UN, should tell the parties concerned in Bosnia that we will not hesitate to widen this measure to other places in Bosnia if there too the hostilities do not stop."

Nato called off plans to launch air strikes after Bosnian Serbs and Bosnian government handed in their heavy artillery by the Sunday midnight deadline.

Mr Warren Christopher, US secretary of state, warned yesterday that the threat of air strikes remained. "If there are heavy weapons discovered within the exclusion zone or if they go back in there, they are subject to attack by Nato," he said before a meeting in Washington yesterday with Mr Haris Silajdzic, Bosnia's prime minister.

US officials said they would be examining ways of encouraging negotiations at talks with the UK, France, Germany, Russia and the European Union in Bonn today. Among the possibilities would be renewed efforts to arrange an agreement between the Bosnian Moslem government and the Bosnian Croats, to increase the isolation of the Bosnian Serbs, or an expansion of the Nato ultimatum to ease conditions in other besieged towns such as Tuzla, Srebrenica or Mostar.

Mr Clinton made no reference to the US sending ground troops. However, Mr Pavel Grachev, Russia's defence minister, urged Washington – and Germany – to send peace keepers, according to Interfax news agency.

Mr François Mitterrand, the French president, said yesterday that France would ask the

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Sarajevo guns set to find new targets, Page 3
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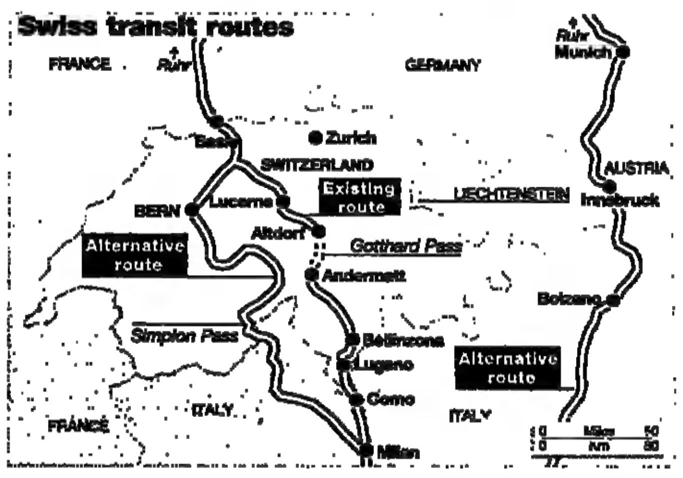
UK chancellor of the exchequer Kenneth Clarke arriving at the arms-for-Iraq inquiry. He said he had signed certificates to stop the release of certain information in order to prevent damage to Britain's intelligence services. Report, Page 8 Picture: Jonathan Turner

EU takes tough line on Swiss vote for lorry ban

By Robert Graham in Milan, Ariane Genillard in Bonn and David Gardner in Brussels



Switzerland yesterday came under blistering attack from European Union countries over its decision to ban foreign trucks from travelling through the Swiss Alps.

Italy and Germany, both of which depend heavily on the Gotthard Pass for the transport of goods, said they would seek talks within the EU to consider the implications of the ban.

There were worries in Brussels that the result of Sunday's referendum could scupper chances of the EU reaching agreement with Austria on lorry traffic through its Alpine passes. This has been an obstacle to the final negotiations on Austrian entry to the EU, due to start today.

Germany warned that closer ties between the EU and Switzerland would suffer because of the vote to ban foreign road transit within 10 years. Nearly 52 per cent of those who took part in the poll voted in favour, despite a campaign by the Swiss government against a ban.

Italy called for an urgent meeting of EU transport ministers, warning that the decision had set a dangerous precedent and could have a serious knock-on effect in other countries. France, Spain and the Netherlands also demanded a tough EU response to the Swiss decision.

About 1,000 foreign trucks a day cut through Switzerland's Gotthard Pass, which bisects the country north to south. Much of the traffic is from Italy and Germany.

The EU said it would analyse the economic impact of the decision in response to the protests.

The Swiss government had argued that an accord already agreed with the EU restraining heavy traffic provided adequate protection. This says Switzerland can maintain a 28-tonne limit on trucks during the day and a complete ban at night and weekends.

Yesterday, representatives of the Italian road hauliers' association said the annual cost of the Swiss ban would be L750bn ($444m) in extra mileage alone. They calculate that Italian haulage operators would have an average of 400km added to journeys to trading partners in northern Europe if they are forced to circumvent Switzerland. Mr

Continued on Page 20

Greece warned on 'illegal' embargo

By Lionel Barber in Brussels

The European Commission yesterday branded as illegal Greece's partial trade embargo against Macedonia and warned that the Athens government risked being taken to the European Court of Justice.

The warning came as Greece, which holds the rotating EU presidency, found itself isolated at a European foreign ministers' meeting in Brussels. Ministers deplored Greece's unilateral action against the former Yugoslav republic and demanded an explanation.

Mr Theodoros Pangalos, Greek minister for European affairs, pledged to submit to Brussels a legal defence of the embargo shortly, and hinted that it would be based on public security grounds.

Mr Hans Van den Broek, commissioner for external political affairs, is to visit Athens and the Macedonian capital Skopkje, probably tomorrow and on Thursday.

He will attempt to mediate in the crisis caused by a dispute over Macedonia's name and use of an ancient Greek symbol, the Vergina, on its flag.

However, a Brussels official made clear that the commissioner would not negotiate on the embargo, which was being tackled separately by the Commission.

Greece last week banned the movement of oil and other goods through the Greek port of Thessaloniki without informing or consulting its EU partners.

The partial embargo followed the US decision to extend diplomatic recognition to Macedonia. This move seems to have prompted the Greek Socialist government to harden its position – even at the expense of alienating the European Commission and Greece's EU partners.

In Brussels yesterday, the Commission described the trade embargo as an infraction of the Treaty of Rome providing for the free circulation of goods inside the European Union. As guardian of the treaty, it demanded a response from Athens; but also said the Greeks would have to show that they had no other course of action if they invoked the defence of national security.

At the foreign ministers' meeting, there were signs that Athens' action has weakened

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Polls show Berlusconi and Forza Italia holding 25 per cent of the vote

New candidates swell Italy's election lists

By Robert Graham in Rome

More than 80 per cent of the members of Italy's next parliament are likely to be either new to national politics or politicians who have changed parties.

This became evident yesterday as the list of candidates in the March 27 election closed before the campaign begins formally on Friday.

Former leading figures such as former prime ministers Mr Bettino Craxi and Mr Arnaldo Forlani have stepped down, discredited by corruption scandals. The parties, new and old, have recognised that all those tainted by the scandals risk being a political liability and the emphasis is on new or acceptably recycled faces.

The greatest haggling has been within the Popular party (PPI) - previously the long-governing Christian Democrats - who have forged a tenuous electoral alliance with the Italian Pact movement of Mr Mario Segni, the referendum leader.

The PPI and the Pact were the last to hammer out an agreement on candidates for the 475 seats in the chamber of deputies to be elected by the new first-past-the-post system. The remaining 155 seats will be decided by the old proportional representation system.

Mr Silvio Berlusconi, the media magnate turned politician who has injected the main element of uncertainty into the result, is to contest a seat in the historic centre of Rome, having originally sought a Milan constituency.

He is being opposed by Mr Luigi Spaventa, the budget minister in the present government, who is standing as a candidate for the Progressive Alliance, dominated by the former communist Party of the Democratic Left (PDS).

The two men could not be more different. Mr Berlusconi represents entrepreneurial success and television soap opera culture; Mr Spaventa, a Fellow of All Souls at Oxford, is a brilliant intellectual with a technocratic background. The third main candidate in this constituency is Mr Alberto Michelini, the closest aide of Mr Segni and strongly identified with the Roman Catholic organisation Opus Dei.

Mr Berlusconi had originally considered a Milan constituency but, following an agreement with the populist Northern League, agreed to let Mr Umberto Bossi, the League's leader, treat the city as his seat.

The League alliance with Mr Berlusconi's new Forza Italia movement appears to be holding. But there are continued strains over Mr Berlusconi's links in southern Italy with National Alliance, the renamed neo-fascist MSI movement of Mr Gianfranco Fini.

The polls show Mr Berlusconi and Forza Italia holding 25 per cent of the vote, well clear of any other party. The polls also indicate that Forza Italia, League and National Alliance movement would win about 45 per cent of the vote, insufficient to form a government. Also, once the campaign starts, the polls are likely to change and the PDS alliance believes it can recover ground.

High stakes on both sides in EU entry talks

Even before the European Union's foreign ministers began talking in Brussels yesterday, the vexed negotiations to bring Austria, Sweden, Finland and Norway into the EU had been complicated by hardline Spanish demands.

Among them was Madrid's insistence that money the rich new northerners put into the Brussels budget should be spent in the poorer south of the Union.

But, as what should have been the beginning of the last lap of the enlargement talks opened in Brussels, tactically ill-timed requests by Sweden and Austria that their budget contributions should be phased in served only to sharpen the money issue prematurely.

The Swedes in particular, who want exemption from three-fifths of their EU payment for three years, appear to have made Spain's partners more receptive to the agenda Madrid is trying to set in the talks.

"They [the Swedes] have stirred up such a row that the Spaniards have broadened their counter-demands," one of the EU's lead negotiators says.

If membership terms for the applicants are not settled by the first week of next month, it will become virtually impossible for the four to enter the EU by January next year as planned.

Missing the deadline, says the senior EU negotiator, "could decrease their interest [in joining], and increase our lust for a bigger cake" in terms of the Nordic and Alpine countries' money and resources.

The UK and Germany, which contribute most to the EU's Ecu70bn ($77bn) budget, are, for example, already positioning themselves to demand that the newcomers' net contributions - worth Ecu1.7bn on the European Commission's first serious estimates - should be used to reduce their own EU payments.

Until the Swedish budget request, Spain's main concern, shared with the UK, was to preserve existing EU majority voting rules enabling relatively modest alliances within the Twelve to block measures affecting their national interests. "We really mean it," said one senior Spanish official recently.

But the Norwegians have since propelled the fish issue up the league table and the Spanish have leapt upon it. "They are taking the [fisheries] regime hostage," one senior Commission official said of the Spaniards.

Wherever Spain's demands settle, yesterday's lunchtime talks between the Twelve's foreign ministers left little doubt that the money and resources question is nagging away at several member states, rich and poor.

Spain has German support in opposing Commission plans to make thinly populated and inhospitable parts of northern Sweden and Norway eligible for the same levels of EU regional aid as Andalucia and the eastern German Länder.

Brussels yesterday backtracked and proposed an analogous, slightly less generous, and possibly time-limited aid regime, which the applicants at first sight are inclined to reject.

But it is in the cost of aligning the farm subsidy regimes of the candidate countries with EU norms that blood could be spilt. Sweden's farm prices are now close to the EU's, but Austria's are about 35 per cent

Attitudes are hardening on the price to be paid for membership of the club, writes David Gardner in Brussels

higher, Finland's 50 per cent more, and Norwegian prices are double those within the Twelve.

The EU concedes that for a mix of socio-economic, cultural, environmental, and even security reasons, extra farm subsidies to keep the Alps and the Arctic populated are legitimate. The argument is about who pays.

The latest figures from the Commission's budget directorate calculate that within the four, Ecu4.1bn is now going to farmers through high prices paid by consumers, and Ecu2.2bn in direct government aid.

The EU's opening offer is for a "big bang" price cut to Union levels immediately on entry, and then only some Ecu2bn in normal common agricultural policy price support. Formally, the Twelve are prepared to sanction both transitional and permanent extra aid so long as the applicants pay for it themselves.

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Brussels to study Procter acquisition

By Gillian Tett in Brussels

The European Commission is to hold a full investigation into the acquisition by Procter & Gamble, the US consumer products group, of Vereinigte Papierwerke Schickedanz, a subsidiary of the German partnership Gustav und Grete Schickedanz, it was announced in Brussels yesterday.

The commission will consider whether the acquisition by Procter & Gamble GmbH, a wholly-owned subsidiary of Procter & Gamble, breaches the Commission's competition rules in the European market for female sanitary protection.

The Commission inquiry follows a preliminary investigation into the implications of the acquisition for the European markets in diapers and feminine protection.

Procter & Gamble has promised to divest VPS's baby diaper business and part of its feminine protection business to comply with EU competition rules.

But the Commission remained concerned the moves still left Procter & Gamble in breach of EU competition rules in the sanitary-towel sector of the feminine protection market, not least because Procter & Gamble would acquire VPS's leading sanitary-towel brand in Germany, the commission said.

"Whether the geographic market concerned is national or EEA-wide, the combined market shares of Procter & Gamble and VPS raise serious doubts as to the operation's compatibility with the Common Market," the Commission said.

It pointed out that factors such as consumer brand loyalty, high promotion costs and the strength of Procter & Gamble in branded consumer products meant there were already significant barriers to market entry.

The key task for the commission now would be to define the feminine protection market, especially if it was national or European in nature, Mr Bruno Julien, commission spokesman said.

Under EU rules the investigation will take up to four months.

Kohl tries to stir CDU fighting spirit

Chancellor launches offensive against SPD in election marathon, writes Quentin Peel

Chancellor Helmut Kohl of Germany sought yesterday to galvanise his ruling Christian Democratic Union out of pre-election pessimism and to take the offensive against the opposition Social Democratic party.

With an hour-long exhortation to the party faithful, abandoning his usual careful text and speaking off the cuff, he accused his opponents of threatening to take Germany back into isolation at the heart of Europe, unable to play its full role on the international stage.

He stepped up his campaign against the opposition for allegedly preparing to recognise East German citizenship in the mid-1980s, a move which would have undermined the entire process towards unification, he said.

He warned that the real alternative to the present ruling liberal-conservative coalition was a "red-green" coalition between the SPD and the Green party, which would make Germany unpredictable and drive away investors.

It was a personal *tour de force* to revive the spirits of his CDU, facing a string of election setbacks before the national poll in October. It earned the Chancellor a seven-minute standing ovation from an audience desperate for the prospect of a political revival.

The three-day party conference in Hamburg is supposed to approve a weighty new party programme, called Freedom and Responsibility, as the foundation of its campaign through no fewer than 19 elections in the next eight months.

Yet Mr Kohl's speech contained no programme: it was rather a presentation of his own personality, as the chancellor who delivered unification and who had come to enjoy the trust of statesmen throughout the world, as the key to an election victory.

He insisted that he was fighting for outright victory, but on the platform of the present coalition. He denounced those who were already arguing in favour of a "grand coalition" with the SPD.

It was a speech overwhelmingly about foreign policy, and his own role in promoting European union, to which he restated his absolute commitment.

He denounced attempts to water down the party's European policy, and remove its commitment to a "federal" future for the European Union.

He insisted that German unification had proved possible only as the counterpart of European union.

It was Germany's unshakeable commitment to European integration which had persuaded its European partners, as well as Russia and the US, to back the process of German unification.

"The Social Democrats want to lead our country back to isolation," he said. "But isolation must never again become a concept in German history."

It was a speech to inspire the party faithful, dispirited by election setbacks last year in Hamburg, where the CDU dropped 10 percentage points to only 25 per cent support, and in Brandenburg in east Germany, where it dropped to third place, behind the former communist party.

It was still not enough to head off some sharp criticism from the floor, with speakers demanding more policies to attract young voters, more to counter the opposition's accusations that the government is determined to dismantle the welfare state, and more to woo back the disenchanted voters of eastern Germany.

But it was just enough to get that standing ovation, and that was what Mr Kohl required for the television cameras yesterday.

Chancellor Helmut Kohl (left) and Christian Democrats' parliamentary leader, Mr Wolfgang Schäuble, in jovial mood at the opening of the party's annual congress in Hamburg yesterday Reuter

Chancellor 'losing ground in E Germany'

A poll by the German news magazine Der Spiegel shows German Chancellor Helmut Kohl's Christian Democratic Union (CDU) losing ground both to the opposition Social Democratic party (SPD) and the far-right Republicans in eastern Germany, AP reports from Bonn.

The poll, which asked voters whom they would vote for in the federal election if it was held next Sunday, shows the CDU would not be able to form a coalition government on the state level with its partners, the Free Democratic party (FDP), in any of the eastern German states.

In Saxony, which the CDU won outright with 53.8 per cent of the vote in the 1990 election, Mr Kohl's party is at present polling only 38 per cent, while the FDP is attracting only 3 per cent of the vote, down from 5.3 per cent. In contrast, the SPD is polling 30 per cent, up from 19.1 per cent; the Republicans are supported by 3 per cent of the voters, up from no measurable support in 1990.

The former communists, the PDS, are polling 12 per cent, against 10.2 per cent in the last federal election; support for Bündnis 90/Greens has risen to 10 per cent from 5.6 per cent in 1990.

In Saxony-Anhalt, the CDU's support has diminished to 20 per cent against 39 per cent in 1990, while the SPD's support has ballooned to 36 per cent from 26. The FDP's support is at present 7 per cent, down from 13.5 per cent, while the Bündnis 90/Greens attract 13 per cent, compared to 5.3 per cent. The PDS polls 14 per cent, up from 12 per cent; the Republicans are supported by 4 per cent of the voters, up from 0.6 per cent in 1990.

NEWS: EUROPE

Sarajevo guns look to new targets

Judy Dempsey on likely moves to consolidate territory in other parts of Bosnia

Officials from the United Nations, the European Union, the Russian Federation and the US meet in Bonn today to discuss what gains made in the Bosnian capital of Sarajevo can be extended to the rest of the republic.

But military analysts are pessimistic that diplomats will be able to capitalise on the ceasefire in Sarajevo, let alone react in time to stem the flow of more artillery to eastern Bosnia, halt the fighting between Moslem and Croats in central Bosnia, or lift the siege imposed by Croats on the city of Mostar in the west of the republic.

While attention remains focused on Sarajevo, military analysts believe the Serbs in eastern Bosnia, and the Croats in western Bosnia, will speed up their attempts to consolidate their grip over territory they have won in battle. The Bosnian government forces, now backed by a well-trained infantry, will also focus their attention beyond Sarajevo.

"Sarajevo is important for the Bosnian Serbs, but it is not as important as what they want to achieve strategically in the eastern part of the country," said Mr Charles Dick, head of the UK-based Conflict Studies Research Centre at Sandhurst.

Mr Radovan Karadzic, head of Bosnia's Serbs, has always aimed at linking eastern Bosnia to Serbia proper. The Bosnian Croats have a corresponding goal in western Hercegovina. They may still be able to realise those aims.

For instance, Mr Dick and other analysts believe that Bosnian Serb forces, without too many restrictions, can transfer any weapons moved out of the 12-mile zone around Sarajevo to other parts of the country.

"There is nothing to stop them," a Nato diplomat said. "The point is that Nato cannot keep declaring a new ultimatum to lift the sieges of Gorazde, Zepa, or Maglaj because it might be seen as bluffing if Serb – and Croat forces – do the minimum to meet any deadline" and the threat is not followed through.

Already Bosnian Serb forces are attempting to link up the Serb-held territory of Krajina, in south-western Croatia, with Serbia-proper.

This involves cutting a deal with Mr Fikret Abdic, a former Bosnian government minister who broke away from the Bosnian side, and took over the control of Bihac, a Moslem enclave in the north-western corner of Bosnia. It would also involve negotiating a passage through, or around Brcko, on the Croat border.

"If you want to prevent any more killing, and more territorial gains, you have to provide thousands of peacekeepers," a Nato diplomat said. "But the omens are not good. General [Sir Michael] Rose [the UN commander in Bosnia] has not even managed to obtain 3,000 extra troops which he requested last week. So what kind of message is that sending out to all three sides?"

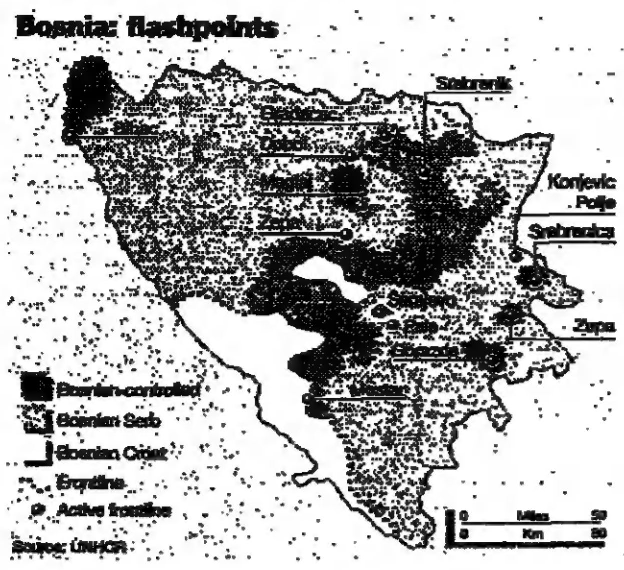
In the case of Croatia, the government in Zagreb had given no indication it would withdraw its troops from western Hercegovina.

"We applied some kind of pressure. But it has had little affect," a US military expert said. "I sometimes wonder do our threats carry clout or not? If not, then there is no reason for the Bosnian government to stop fighting, because, unlike the Croats and Serbs, they have nothing to lose."

That is why any UN follow-up plan to the ceasefire in Sarajevo will be watched closely by all three sides.

"If the roads leading into and out of the city are not placed under UN control, and if the siege is not completely lifted very quickly, we will have squandered what political will we mustered last week," the Nato diplomat said.

Bosnia: flashpoints



Relief is palpable in Moscow that Russia's intervention helped persuade the Serbs to heed Nato's ultimatum, thus avoiding the risk of air strikes, writes Leyla Boulton in Moscow.

There had been a widespread fear among Russian officials and Russia watchers that air strikes would have hurt President Boris Yeltsin by presenting his already strong ultra-nationalist opposition with a golden opportunity to undermine him on a second front, namely foreign policy.

After successfully hobbling his course of bold economic reforms, by enabling Mr Victor Chernomyrdin, prime minister, to squeeze radical reformers out of the government, they would have used the air strikes against Serbs, fellow Slavs, to attack the president's pro-western foreign policy.

Presidential officials yesterday lost no time in milking the president's Bosnian "triumph" for all its worth. Mr Vyacheslav Kostikov, the president's press secretary, said it showed he was "the unchallenged leader of Russia". "The world was almost on the brink of a world crisis, which threatened to grow into a war drawing in the major powers . . . Without firing a single shot, without threatening anyone, without putting the lives of its soldiers at risk, without spending a single rouble, Russia has actually won an important battle for its world status."

No doubt cheered by the news, Mr Yeltsin returned to the Kremlin yesterday after a long and unexplained illness.

Azeris want UK help in Karabakh conflict

Aliev talks to **John Lloyd** on eve of his visit

Azerbaijan's president, Mr Heydar Aliev, is to press Britain to take a "more active part" in finding a solution to the former Soviet republic's conflict with Armenia around the Armenian-dominated enclave of Nagorno Karabakh.

In an interview in Baku, Mr Aliev said: "Britain has always taken a good, objective position on this conflict, and there has been some sympathy shown with our position from the United Nations, with four resolutions calling on the Armenians to withdraw their forces from our territory.

"Now I would like Britain. . . to more actively concern itself with getting those resolutions fulfilled."

The Azeri president, who recently visited Turkey and France, arrives in Britain today.

He wants to use his three-day trip to "make Britain and Europe more aware of our point of view, and the possibilities of doing business with us". He and his advisers are convinced the west is strongly infuenced on Nagorno Karabakh by Armenian communities in the west.

He and Mr John Major, the UK prime minister, have exchanged letters on the desirability of signing a contract on Caspian Sea oil exploration. Mr Aliev is aware this gives him leverage to press Azerbaijan's case for withdrawal of Armenian troops and settlement of the Karabakh issue under international auspices.

Mr Aliev said 20 per cent of Azeri territory outside Nagorno Karabakh was occupied by Armenian forces. "We now have over 1m refugees, living in terrible conditions," he said.

Mr Vafa Gulizade, his adviser on international affairs, said on Sunday a ceasefire had been agreed between Armenian and Azeri defence ministers under the chairmanship of General Pavel Grachev, Russian defence minister. Forces were to pull back to defined positions and a meeting at presidential level was to be held next month.

However, Mr Aliev was cool on the agreement. "Russia has announced a ceasefire several times and said it can get the withdrawal of Armenian troops," he said. But during the ceasefires Armenian troops had taken several regions.

Mr Aliev admitted Russian influence had increased since he became president in a bloodless coup last year. "Russia is our neighbour," he said. "It's one of the most powerful countries n the world. It's been connected with the fate of Azerbaijan for 200 years. So what should we do – have a state of hostilities with it?"

He said it was possible the Russian oil comopany Lukoil would join the consortium of western companies led by British Petroleum which is likely to sign a contract soon for exploitation of Caspian oil reserves. But "further negotiations" were needed.

Asked about the possibility of Russian bases being established in Azerbaijan, he said: "The question hasn't come up before me. Maybe there is such a desire on the part of the Russians. And of course there are Russian bases in Armenia and in Georgia."

Mr Aliev, a former Communist party leader, now says: "We must never go back to the days of communism and socialist economy. My most important task, besides ending the war, is to bring a civilised level of democracy and a market economy to Azerbaijan."

NEWS IN BRIEF

IMF approves Polish budget

Poland's budget policies have won the approval of the International Monetary Fund, opening the way to a 20 per cent reduction in the country's $33bn debt to western government creditors, writes Christopher Bobinski in Warsaw. Mr Michael Deppler, IMF mission chief, said yesterday Poland had fulfilled the terms of its 1993 agreement and would be negotiating a new stand-by arrangement.

The draft budget foresees a ZL 83,000bn ($3.73bn) deficit (4 per cent of gross domestic product) will be approved by parliament next month. IMF approval needed by Paris Club government creditors, which wrote down 30 per cent of the country's debt in 1991 and promised a further 20 per cent this year if the country remained in favour with the Fund.

Poland can also use the $500m stand-by loan which becomes available at the end of March to help finance its debt reduction agreement with western banks in the London Club although the talks centre on a Polish suggestion, resisted by the banks, that the $12.3bn owed them be reduced by half to match the Paris Club deal.

Denktash holds talks in Ankara

Mr Rauf Denktash, Turkish Cypriot leader, met Turkish officials yesterday to discuss efforts to break the deadlock in UN supervised peace talks with the Greek Cypriot community, AP reports from Ankara. The UN special representative, Mr Joe Clark, met both Mr Denktash and President Glafcos Clerides, the Greek Cypriot leader, last week to discuss confidence-building measures. These include opening Nicosia international airport for both communities and the handover of Varosha to UN troops.

Russian gas sell-off

The Russian government is to sell up to 45 per cent of the shares of the giant gas-producing monopoly, Gasprom, to the company's employees, while keeping a 40 per cent stake for itself for three years, Interfax news agency said yesterday, Leyla Boulton writes from Moscow. Another 5 per cent will be offered to ethnic minorities of the gas-rich Yamal Nenetsk peninsula, while 10 per cent will be kept by Gasprom itself.

Electricity turned off

Managers and workers at a nuclear plant in the Russian Far East cut off electricity from one of four reactors yesterday in protest at customers' failure to pay their bills, Reuter reports from Moscow.

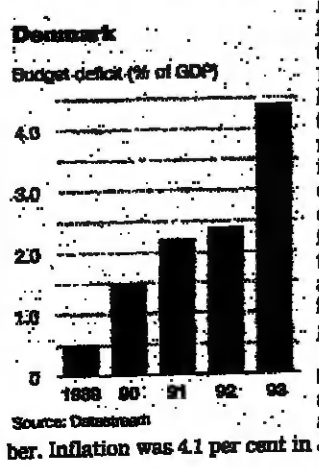
Ukraine loses some power

Turkmenistan cut its gas supplies to Ukraine yesterday because of non-payment, a senior official told Reuter in Ashgabat. Last-minute Ukrainian promises to pay were in vain. Turkmenistan had agreed to ship 28bn cubic meters to Ukraine this year, even though Ukraine owes $693m for gas piped last year.

Romania bails errant reporter

Romanian police have freed on bail a reporter arrested for writing an article that likened President Ion Iliescu to a fairy-tale pig, Reuter reports from Bucharest. The article mixed a well-known fairy tale with elements of Mr Iliescu's past as a top communist. He was accused of "offending state authority", a charge which the old communist regime used to silence critics.

Danes aim for lower deficit



Mr Mogens Lykketoft, Danish finance minister, promised yesterday a lower budget deficit in 1995. This follows criticism by leading economists and opposition parties that the government's expansionist fiscal policy, introduced to kick-start the economy out of recession, will get out of hand. The budget deficit rose from 2.4 per cent of GDP in 1992 to 4.4 per cent last year, in 1993, according to economy ministry figures. The deficit for 1994 is projected at 4.8 per cent.

■ Inflation in Austria was an annualised 3.1 per cent in January after 3.5 per cent in December. Inflation was 4.1 per cent in January last year.

■ Germany's gross monetary reserves fell DM500m to DM117.6bn ($66.8bn) in the week ended February 15, the Bundesbank said. Its foreign liabilities rose DM500m to DM23.8bn.

NEWS: INTERNATIONAL

Right wing rejects ANC compromise

By Patti Waldmeir in Johannesburg

Right-wing parties in South Africa yesterday rejected compromise constitutional proposals from the African National Congress and refused to attend a multi-party conference to discuss amending the constitution to meet their demands.

In an attempt to split the right-wing Freedom Alliance and tempt some moderate members to defy their leaders and accept a constitutional compromise, the ANC-dominated multi-party negotiating forum yesterday agreed to enshrine the ANC's compromise offer in the constitution, with or without Freedom Alliance approval.

Towards this end, the 1993 constitution was amended to give provincial governments some powers of independent taxation,to protect provincial powers from diminution after the April election, and to introduce separate ballots for national and provincial elections – all important Freedom Alliance demands.

Mr Cyril Ramaphosa, ANC chief negotiator, appealed to the right wing to accept the compromise. "We urge them to do South Africa a favour, and not to plunge this country into a crisis," he said, after a violent weekend left 48 people dead, some of them in election-related violence.

However, no substantial offer was made to the Freedom Alliance on the crucial issue of the powers of provincial governments in areas such as policing and a host of other functions.

The Freedom Alliance yesterday demanded that provincial governments have sole authority over areas such as provincial policing, provincial defence, and the regional civil service, while the ANC continued to insist that central government should have broadly defined powers to override provincial government in all areas.

As part of the continuing battle to avoid blame for the failure of constitutional talks, government and ANC negotiators were last night discussing whether to change the wording of the constitution dealing with provincial powers to a form of words which would appear more attractive to the Freedom Alliance, but which would not have any practical effect.

It was hoped this further concession might make it possible for moderate right-wing leaders to claim victory, without substantially affecting the nature of the constitution.

Government and ANC negotiators said there was no legal deadline for further constitutional amendments before the April 27 elections, but that practical difficulties would prevent any further changes after last night's session.

Islamic state waits in Algeria's bloody wings

Francis Ghilès reports on a nation contemptuous of the old and distrustful of the new

Never has the holy month of Ramadan meant such misery for millions of Algerians. They do not have to wait for the agreement being negotiated with the International Monetary Fund – which is bound to include a hefty devaluation of the dinar – to appreciate the extent to which the government has lost control of the economy.

The price of onions has nearly trebled since December, that of coffee has doubled and of cooking oil has increased by more than half. On the black market, lentils cost three times more than in state shops, while sugar costs 50 per cent more.

Meanwhile the confrontation between the security forces and armed Islamic groups is claiming at least 100 dead every week. The death of a Russian civilian technician last Thursday and of a French shopkeeper yesterday brings the number of foreigners slain since last September to 30. Foreigners have withdrawn to the major coastal cities of Algiers, Oran and Annaba or, in the case of foreign oil companies, to the comparative safety of the southern desert.

Although Ramadan has brought a little life and some cars into the streets of Algiers after dusk, most people lock themselves up at home as soon as the sun sets. Hundreds, perhaps thousands, sleep in a different apartment or house every night. The most radical group, the Armed Islamic Group (GIA), has threatened to kill women, intellectuals and civil servants who dare question the need to impose Islamic "sharia" law.

Earlier this month a GIA spokesman publicly stated for the first time that his movement would attack "Jews, Christians and other non-believers because they support a colonialist plot. This will help the return of Islam as defined by the prophet Mohammed".

Last week the group stepped up pressure by threatening 17,000 tax collectors, arguing that under Islam, *zakat* is the only acceptable form of revenue collection. Tax revenues excluding the oil sector and customs duties were AD112bn (£3.2bn) last year, AD41bn of which came from direct taxation.

In the Mitidja plain around Algiers local "Islamic enclaves" flourish, where Algerian newspapers in French are banned, as is smoking. Many Algerians who two years ago applauded the army for suspending the second round of elections, the Islamic Salvation Front (FIS) was poised to win, now appear resigned to the advent of an Islamic state.

Printers who produce most of Algeria's newspapers yesterday threatened an unlimited strike, a new blow to a press already suffering from tougher censorship and the murder of journalists, AP reports from Algiers.

Employees at the state-run printing centre said the military-backed government, which has cracked down on the press since seizing power two years ago, had failed to seek a settlement after strike notice was issued on Jan. 17.

Islamic gunmen have recently targeted journalists. At least nine have been killed, including one foreigner, a freelance French TV cameraman last month.

Many simply pray that violence will stop and that the increasingly savage acts of terrorism will be halted. The nervousness of many young soldiers manning roadblocks and policemen bear witness to the distress and confusion that the events of the past two years have brought to 28m Algerians.

In his first speech as head of state, General Liamine Zeroual recently made clear his belief that security measures alone would not help Algeria out of a crisis which requires a total rethink of the economic, social and cultural policies adopted since independence. He acknowledged Algeria's aspirations for "radical change".

General Zeroual is however faced with a dilemma. Many members and leaders of the now banned FIS movement appear willing to talk, but are increasingly outflanked by their more radical supporters, a number of whom are switching support to groups such as the GIA and the myriad other proponents of violence.

Those Algerians who oppose an Islamic state are not united, but millions find it difficult to tolerate the same faces on television and in the newspapers that they have had to endure since independence in 1962. Their resentment at 32 years of single-party rule and the corruption of a state command economy is considerable. Yet senior officials continue to make public statements that few Algerians believe.

Mr Baba Ahmed, the director of the treasury, said last week that negotiating with the IMF was a decision "freely" taken by the government. Mr Mourad Benhachenhou, the minister of the economy, whose vitriolic attacks on the reforming government led by Mr Mouloud Hamrouche in 1989-91 have not been forgotten, said that the kind of medicine Algeria will accept from the IMF must be "defined in such a way that it does not bring about any kind of social unrest".

For his part, Mr Redha Malek, the prime minister since August, who was confirmed in his post by the new head of state, insisted that terrorism has gone "beyond the stage of barbarity and must be liquidated". As Algerian ambassador to Washington, he played a key role in securing the release of the US diplomats held hostage in Tehran in 1981, but his language and manner cut little ice with the mass of his countrymen, two thirds of whom are under 30 years of age.

The prime minister and other senior Algerian officials are pleased with the French government's "clear policy" of support for Algeria. The prime minister insists that the time for declarations is finished. Referring to the desperate need to loosen the burden of Algeria's foreign debt payments, which this year will absorb all the country's oil and gas income, he added: "We will now count our friends."

Most western capitals are worried and bewildered by the violence which is increasingly engulfing North Africa's largest country. Many believe dialogue with the radical Islamic groups is inevitable, and all know it will be difficult. Some even fear that it might prove impossible.

The Algerian army, which holds centre stage, has tried and failed to convince respected members of the former Hamrouche government to take senior government posts. It knows that Algerians want to see new faces. It also knows that, were its ranks to split, disaster could ensue.

A woman walks past a slogan calling for jailed Islamic Salvation Front leader Madani Abassi to be 'our president' Reuter

Lagos still hopes to reach policy pact with IMF

By Michael Holman, Africa Editor

Nigeria has not abandoned efforts to reach a policy agreement with the International Monetary Fund, Mr Kalu Kalu, the country's finance minister told a press conference in London yesterday.

The minister, in the UK for talks with British officials as part of a 10-day tour of the main Western capitals to explain the government's policy, acknowledged there was no prospect of an early agreement with the Fund.

However, he stressed that Nigeria was anxious to limit any increase in arrears of service payments on the country's \$28bn (£19bn) external debt.

Arrears at the end of last year reached \$6bn and are expected to exceed \$8.5bn by the end of this year. This estimate assumes that Nigeria will allocate 25 to 30 per cent of its export earnings based on a projected oil price of \$14 a barrel.

Asked how government would respond if oil prices dropped below \$14 the minister replied: "We will have to put another hole in our belts."

Mr Kalu will not be seeing British ministers during his stay following Whitehall's decision to apply limited sanctions in the wake of last October's coup by General Sani Abacha. He will, however, meet senior Foreign Office and Treasury officials.

The minister, reviewing government policy in the coming months, stressed the need to reduce the budget deficit and to "bring an end to irresponsible fiscal spending". Recent talks with the visiting IMF mission had raised no problems with the budget's objectives, but he noted the fund had expressed "hesitation" over the key issues of exchange and interest rates.


Kalu Kalu: bring an end to irresponsible spending

Cairo bankers play down extremist threat

By Mark Nicholson in Cairo

Bankers in Cairo yesterday sought to play down any possible threat from Islamic extremists who have warned that Arab and foreign banks were a target in their anti-government campaign. The extremists had set today as a deadline for people to withdraw money from what they called "usurious monuments".

A handful of bankers said they had reinforced security, though most said they were content with measures in place for more than a year, since the Gama'a al-Islamiyya, the militant Islamic group, first warned that Arab and foreign businesses might become targets in their campaign.

"There's not much more we can do, and anyway we'd rather not play into the hands of the militants' propaganda," one foreign banker said.

A straw poll of bankers in Cairo found few concerned by the militants' threat and none suggesting they might avoid going in to work.

The Gama'a al-Islamiyya issued their deadline earlier this month after planting explosive devices outside three banks in Cairo. A fourth explosive was planted on February 15. Only two of the devices detonated, causing superficial damage and injuring no-one.

The banks have been made targets because they charge interest, which is forbidden according to the Islamic Sharia law the militants would like to see strictly installed in Egypt. All but a minority of specialised Islamic institutions charge interest, however, and banks yesterday reported no unusual withdrawals.

The militants' warning appears to be an attempt to prove they retain the ability to wage a continued and co-ordinated campaign against the government despite a frequently violent crackdown by security forces.

The Gama'a al-Islamiyya's follow-up to its deadline may therefore prove some guide to its present strength, and a test of the government's confident claims to have broken the organisation.

Nevertheless, Gama'a claimed responsibility for an attack on Saturday in which four people, including two foreign visitors, were injured, when gunmen opened fire on the Cairo-Luxor train as it passed through a militant stronghold in Upper Egypt.

In a statement faxed to news agencies, the Gama'a's standard means of public communication, the group claimed the attack to have been in retribution for three death sentences passed by a military court on three men charged with an attempt late last year on the life of Egypt's President Hosni Mubarak.

The three, according to Gama'a, were an army officer and two conscripts charged with mining an airstrip close to the Libyan border at Sidi Barrani shortly before a visit by Mr Mubarak.

More than 300 people have fallen victim to the violent campaign between Islamic militants and security forces over the past two years.

The militant groups have specifically targeted members of the security forces, high-ranking government officials and the tourism industry, the latter in what has been a largely successful campaign to damage a vital component of Egypt's economy.

Last month, Gama'a issued specific warnings to foreigners to leave the country or risk becoming embroiled in what it called its "ferocious" battle with the government.

Bolger welcomes US thaw

By Terry Hall in Wellington

New Zealand's prime minister, Mr Jim Bolger, yesterday welcomed a US decision to upgrade military and official contacts with Wellington. Relations were restricted in 1987 when New Zealand passed a law prohibiting visits by nuclear powered or armed vessels.

Mr Bolger said the policy shift would enable New Zealand to have the kind of dialogue "commensurate with our shared interests and values on both bilateral and broader strategic issues".

In a weekend statement, the US State Department emphasised that the Clinton administration had decided to resume senior level contacts, but this did not mean a restoration of US defence relationships with New Zealand or the revitalisation of the ANZUS pact, which formerly linked Australia, New Zealand and the US.

The statement said the US would continue to press for a change in New Zealand's anti-nuclear legislation. However, the State Department now recognised that "our two countries had important business to conduct outside the area of defence relations. . . To advance that goal, we have decided to restore senior level contacts with New Zealand on political, strategic and broad security matters," it said.

Asked whether the government would now consider amending legislation to allow American or British nuclear warships to visit, Mr Bolger said there was no proposal to review the law. "I would caution against seeing the thaw as a full restoration of ANZUS."

President Clinton had undertaken to review the relationship at a meeting with Mr Bolger at Seattle in December.

Pakistani troops free child hostages

Pakistani troops yesterday stormed the Afghan embassy where three gunmen had been holding five schoolboys and a teacher hostage for two days, writes Farhan Bokhari in Islamabad.

The Afghan gunmen were killed in the raid and the remaining hostages freed. The gunmen had been demanding the immediate delivery of 2,000 trucks of food supplies to Kabul, a ransom of Rs15m (£337,000) and safe passage to Afghanistan.

Troops rushed into the embassy after an explosion rocked the building. Pakistani officials had been negotiating with the gunmen to free the remaining hostages.

The men hijacked a school-bus carrying 67 students and seven teachers at the weekend and released many of the hostages a few hours later.

The incident was the first of its kind involving Afghan citizens during the 15 years since the Afghan refugees have been arriving in Pakistan.

NEWS IN BRIEF

Iraqi oil team invited to Paris

Two French companies have invited a high-level Iraqi oil team to Paris, the first such formal invitation by a Western country since the 1991 Gulf War, the Middle East Economic Survey (MEES) said yesterday.

Iraq had accepted the invitation – issued by Total and Nationale Elf Aquitaine – and would send Senior Undersecretary Taha Humud as delegation leader.

MEES said the two companies had held many meetings in Baghdad since mid-1991 on developing the two giant fields of Nahr Umar (Total) and Majnoon (Elf) but more negotiations would be needed before draft agreements were finalised.

No agreement can be signed until U.N. sanctions are lifted.

Malaysian poll row resolved

A confrontation between the federal Malaysian government and a local political party in the east Malaysia state of Sabah came to an end yesterday with the appointment of Mr Joseph Pairin Kitinhan as state chief minister, writes Kieran Cooke.

Mr Pairin's United Sabah Party (PBS) won state elections at the weekend but Mr Pairin had to wait for nearly 36 hours outside the local governor's residence before being sworn in.

Yemen army units clash

Fighting between soldiers from rival army units broke out in Yemen yesterday following the signing of a weekend peace pact by its estranged leaders, agencies report from Amman.

The incident took place in Abyan province after northern soldiers at a checkpoint stopped a southern officer on his way from Aden to Abyan. Yemeni officials in Jordan said four people were killed in the clash.

Australia shifts defence priority

Australia yesterday announced a realignment in defence priorities, shifting the emphasis towards its south-east Asian neighbours and away from old Cold War priorities, Reuter reports from Canberra.

"The clear message of this review is that Australia's security, like its economic future, lies in and with our region," Mr Robert Ray, defence minister, said.

Secrets act trial resumes

By Kieran Cooke in Singapore

The trial of five men charged with breaking Singapore's official secrets act by disclosing a government economic growth figure before it was officially released resumed yesterday, with the defence presenting its case.

The five, two financial journalists and three local economists, are accused of colluding in the disclosure of the 4.6 per cent second-quarter growth figure for 1992 which was published in the Singapore Business Times newspaper.

Among the accused are Mr Patrick Daniel, editor of the Business Times, and Mr Tharman Shanmugaratnam, director of the economics department at the Monetary Authority of Singapore (MAS), Singapore's de facto central bank. The trial, which ran for 26 days last year before being adjourned, has greatly interested Singapore's financial community.

The judge has given the defence five weeks to present its case. If found guilty, the five accused face a maximum two years' jail or a S\$2,000 (£860) fine or both. They are on bail of S\$5,000 each.

Singapore suffers an embarrassment of riches

Growth is greater than is comfortable, write **Alexander Nicoll** and **Kieran Cooke**

Not many finance ministers can feel as comfortable preparing their annual budget as Singapore's Mr Richard Hu. Mr Hu's budget address tomorrow will be set against the background of a far stronger economic performance last year than had been expected.

According to official figures published yesterday, the Singapore economy grew 9.9 per cent in 1993, the biggest increase since 1988, and a sharp acceleration from the 6 per cent growth of the previous year.

Fiscal deficits are virtually unknown in Singapore, and there is little in the country's recent economic performance or near-term prospects which could give Mr Hu cause for serious concern.

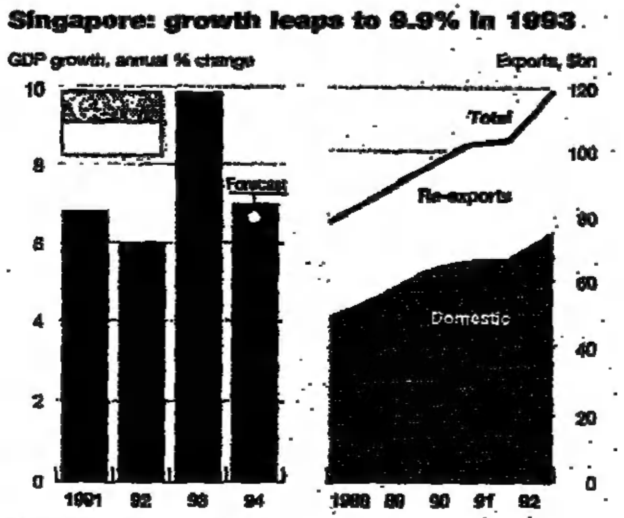
The surge in growth last year was due mainly to a big increase in activity in the financial services sector, with rapid bank-loan growth combined with a sharp increase in stock market turnover. The financial and business services sector grew 13 per cent last year, more than double the growth rate in 1992.

But there was also an unexpectedly big jump in manufacturing activity, with overall manufacturing output increasing 9.8 per cent in 1993 against 2.5 per cent in the previous year. Singapore's electronics industry, which produces half the world's output of disk drives as well as many other computer peripherals, benefited from the US recovery and a computer price war in many export markets.

Mr Hu says last year's economic growth rate was "somewhat higher than is comfortable" and is forecasting expansion of 6-8 per cent this year; economists generally expect 7-8 per cent.

In spite of the high growth, the government would appear to have little to worry about on the inflation front: Singapore's consumer price index rose 2.4 per cent last year, a marginal increase on 1992. This year will see a one-time blip in inflation caused by the introduction of a 3 per cent general sales tax (GST) in April, expected to add 2.5 per cent to the consumer price index.

Singapore: growth leaps to 9.9% in 1993



Source: Singapore government

The government, which oversees foreign exchange reserves of more than \$40bn (£27bn), controls inflation primarily through currency market intervention to help a steady appreciation of the Singapore dollar.

Mr Hu says foreign capital inflows, particularly into the stock market, in effect mean government policy not to internationalise the local currency has been relaxed somewhat. But he says: "Our fundamentals are strong enough to avoid destabilising flows".

Also warding off an overheated economy are domestic interest rates which had already begun to edge up before the US Federal Reserve tightened the monetary reins earlier this month, a factor expected to dampen domestic economic activity during the year.

Few surprises are expected in tomorrow's budget. Mr Hu had already announced the introduction of GST this year. Economists say the finance minister is likely to cut corporation tax at some point within the next few years from the present level of 27 per cent to the government's stated target of 25 per cent. Mr Hu may also raise employers' contributions to the central provident fund, the government's forced savings system.

However, Mr Hu does admit concern about wage increases in Singapore's large public sector and therefore may be reluctant to increase employers' costs further. The need for Singapore to remain competitive is a constant government theme. Singapore, with only 2.8m people, faces severe labour shortages. Another constraint is a shortage of land.

Surrounding countries with lower wage rates are challenging the island republic's export competitiveness. Ministry of Trade and Industry officials say last year saw an improvement in productivity and a drop in overall unit labour costs: but Singapore has to keep climbing the technological ladder to gain advantage over its neighbours.

In spite of high costs relative to other rapidly-growing Asian countries, Singapore's efficiency and infrastructure continue to attract substantial new investment, particularly from US companies which committed S\$1.45bn (£625m) or 37 per cent of new manufacturing investment last year, mainly in the petrochemical, electronics and medical supplies industries.

Singapore's fortunes remain closely linked to economic activity in the US, which accounts for nearly a quarter of domestic exports. Singapore's exports to the US grew 12 per cent last year, while Malaysia overtook the EC as the island republic's second biggest export market.

Seeking to turn its expertise and other countries' cheaper labour costs to its advantage, the government has invested several hundred million dollars in its programme to assist local companies in investments abroad, principally in industrial parks such as at Wuxi in China, Bangalore in India and Batam Island in Indonesia.

In a country where carefully worked out policies are repeatedly driven home by a chorus of ministers and officials, the drive to "regionalise" the local economy is likely to be a theme of Mr Hu's budget. He has ample resources at his disposal, though Mr Philip Yeo, chairman of the Economic Development Board which is spearheading the policy, warns that Singapore will not be a "regional Father Christmas" and will ensure that every project earns a good return.

Government blames restructuring of country's private sector

Mexico economic growth at seven-year low

By Damian Fraser
in San Cristóbal de las Casas

Mexico's economy grew 0.4 per cent last year, the lowest rate for seven years, and far short of the November government forecast of 1.1 per cent, government statistics show.

For the first time in the administration of President Carlos Salinas, economic growth has been outstripped by population growth.

The manufacturing sector shrank by 1.5 per cent from 1992, with the textile industry declining by 7.4 per cent, printing and publishing by 6.4 per cent, and timber by 10.1 per cent. The service and agricultural sectors grew by 0.9 per cent and 1.8 per cent respectively.

The government has blamed the low overall growth and recession in manufacturing on the restructuring of Mexico's private sector, as companies closed or reduced operations to compete under free trade.

However Mexico's strong exchange rate and high real interest rates and the government budget surplus have made the process of restructuring deeper and more costly than had been forecast.

The 0.4 per cent growth for the year would imply a growth of 0.15 per cent for the fourth quarter, suggesting that the economy has recovered from the third quarter, when it contracted by 1.1 per cent.

The government also announced that Mexico's trade deficit fell to $13.6bn (£9.3bn) in 1993, a 15.1 per cent reduction on the previous year. The low economic growth helped slow growth in imports to 5.2 per cent, to reach $65.4bn in total. Importa of capital goods fell by 4.7 per cent, an indication of the difficulties faced by the private sector last year.

Mexico's exports reached $51.8bn last year, an increase of 12.2 per cent. Manufacturing exports, which account for about half the total, increased by 17.7 per cent.

Government starts talks with Zapatista rebels

The Mexican government and 19 delegates from the rebel Zapatista Army of National Liberation began peace talks yesterday in the hope of ending the nearly two-month conflict in the southern state of Chiapas, Damian Fraser writes.

The Zapatistas were led by Sub-Commandant Marcos, their military strategist, and the government by Mr Manuel Camacho, President Carlos Salinas's peace envoy. The two sides, meeting in the cathedral of San Cristóbal de las Casas, had not given any indication by yesterday morning of how much progress had been made.

Mr Camacho insisted in a communiqué on Sunday that the substantive talks excluded national issues, contrary to the apparent aspirations of the rebels. However, he left some room for negotiation, saying: "Certainly there will be a discussion on national issues and we also know that the solutions to some local problems have national implications".

With many towns in southern Chiapas divided between Zapatistas and supporters of the government, the rebel demand for political autonomy for Indians in Chiapas is also likely to meet resistance.

Rich landowners, and some of the estimated 20,000 mainly Indian people who have fled their homes since the New Year uprising partly in fear of the Zapatistas, will probably oppose any autonomy deal that gives political power to rebel leaders.

The 20,000 refugees are living in makeshift camps, and are being fed by local government officials and charity organisations. Mr Philip Templin, of the Baptist Aid Committee working in the town of Las Margaritas, says the conditions in the camps were good, with no shortage of food or medical supplies. However, the refugees have left their towns deserted and abandoned their livestock and farms, and are anxious to return.

Trying hard but could do better, says World Bank

Report for the 1990s calls for overhaul of the legal system and significant reforms in other areas, writes **Damian Fraser**

For nearly a decade Mexico has been the model pupil of the World Bank, following its advice on economic policy and receiving in return subsidised loans of $2bn (£1.3bn) a year, more than granted to any other middle-income country.

The bank played a crucial part in Mexico's decision to join Gatt in 1986, the restructuring of its external debt in 1989, and the redesign of environmental policy two years ago. Bank economists were powerful and successful advocates of the liberalisation of Mexico's agriculture sector.

The bank has now prepared a restricted circulation report on the economic challenges Mexico faces in the 1990s.

While largely praising economic policy to date, the bank calls for a sweeping overhaul of Mexico's legal system and important reforms in the labour and financial sectors, environmental policy, and provision of public infrastructure.

The bank is worried about Mexico's slow economic growth and low savings rate, which it believes makes its economy over-dependent on foreign capital. It concludes that the high current account deficit and modest improvements in productivity "raise concern about the sustainability of economic growth".

The low economic growth is largely attributed to the "substitution of foreign goods for domestically produced goods". This it believes is a result of the low competitiveness of Mexican companies, partly because their old technologies have become obsolete and new investment has replaced existing capital stock rather than adding to it.

Specifically, the bank calls for further economic reform in four areas to remove constraints on economic growth.

- The report is highly critical of Mexico's legal system, concluding that "weaknesses in the commercial law framework and the mechanism for the resolution of disputes constitute important constraints to private sector development."

The report recommends new laws on secured transactions, which would make it easier for banks to take possession of property when a borrower has defaulted. Such a reform should lower Mexico's high financing costs, a principal complaint of Mexican companies.

The bank says "the resolution of disputes through the courts is a lengthy, costly and unpredictable process". It blames this in part on an "unacceptable level of competence and integrity of the judges, especially in the local court system".

Suggestions for reform are vague, but include a national training institute for judicial personnel and the establishment of an authentic civil service in courts at state and federal levels. It proposes reforms to encourage the provision of binding private-sector dispute resolutions.

- The bank says Mexico faces two key labour challenges – increasing the quality of its work force, and establishing a flexible labour market.

On the first, the report says the problem "is the low and disparate quality of the educational system, and especially of basic education"; the failure of Mexican companies to train workers sufficiently holds back productivity growth.

Mexico's labour market is regulated by antiquated labour law that makes it costly to dismiss workers, exhorts companies to promote according to seniority rather than ability, and makes it difficult to move workers between jobs, the bank reports.

However, the bank says the main problem is not exactly the law but agreements companies have reached with unions. The law allows for some flexibility, but how much depends on the ability of management to win concessions from the unions.

- On infrastructure, the bank approves of the government's move to let the private sector build and finance toll roads, electricity plants, water systems and provide telecommunications, but is critical of the way the policy has been carried out.

The bank calls for more competition, or regulation where that is not possible, in the provision of infrastructure. It says the manner in which toll road concessions have been granted needs to be improved, further deregulation and privatisation is needed in railways, and an independent regulator should be established in both telecommunications and the electricity market to prevent monopoly abuses.

- On environmental policy, the bank describes the government's threat of closing polluting plants as costly, ineffective and arbitrary, since it gives the government too much discretion in responding to businesses' environmental violations.

Instead it says the government should rely more (as it is now doing) on mandatory fines for lack of compliance. It recommends economic incentives, such as taxes on polluting inputs and outputs and higher prices on natural resources, rather than command and control regulations, as a way of improving the environment.

Overall, the World Bank says Mexico has been a pioneer in private-sector-led development, and gives the government high marks for stabilising the economy. However, it evidently believes the government still has to draw up and enforce laws that foster competition and efficiency in the private and public sector and allow benefits of economic reform to filter down to consumers.

Drug cuts transfer of HIV virus to babies

Wellcome, the British pharmaceutical company, said yesterday that a new study found that its drug AZT cut by two-thirds the transmission of the HIV virus from pregnant mothers to their babies, Reuter reports from New York and London.

The transmission rate was 8.3 per cent when mothers and babies both received AZT, marketed by Wellcome as Retrovir. The rate was 25.5 per cent among mothers and babies receiving placebos.

Wellcome said the US study had been halted and investigators were now offering Retrovir to all pregnant women and babies who were participating in the study.

The company plans to submit a package to the US Food and Drug Administration this week seeking approval for the use of the drug in reducing mother-to-baby transmission. It will also pass the data on to regulators in other countries.

Each year in the US an estimated 7,000 women infected with HIV (human immunodeficiency virus) give birth. About 25 per cent of their babies are infected with the virus.

The study was sponsored by the US National Institute of Allergy and Infectious Diseases, in collaboration with the National Institute of Child Health and Human Development and Institut National de la Santé et de la Recherche Médicale of France.

Wellcome said investigators found that both mothers and babies tolerated the drug well, with no significant short-term side effects apart from reversible mild anaemia in some infants.

Dr Harold Jaffe, an epidemiologist and HIV specialist at the US government's Centres for Disease Control and Prevention in Atlanta, told the New York Times the study was "the first indication that mother-to-child transmission of HIV can be at least decreased, if not prevented".

Canadian budget will take only small steps

The Liberals' real new broom is unlikely to start sweeping until 1995, reports **Bernard Simon**

Canada's Liberal government has worked hard in its four months in office to prove that a new broom is sweeping through Ottawa. From promises for a speedy overhaul of the social-security system to prime minister Jean Chrétien's modest sedan, the Liberals have tried to project a fresh, down-to-earth approach.

The finance minister, Mr Paul Martin, is expected to try to build on that theme when he presents his first budget in the House of Commons this afternoon.

Mr Martin's economic assumptions and deficit forecasts are expected to be more conservative than the perennially optimistic projections by his Progressive Conservative predecessors over the past nine years.

The minister will undoubtedly point to a series of pre-budget "town hall" meetings, held across the country over the past month, as proof that he has listened to the concerns of Canadians from all walks of life.

But anyone hoping for an imaginative new plan to achieve the Liberals' twin goals of cutting the deficit and creating jobs is likely to be disappointed.

Judging from hints dropped by Mr Martin and his officials, the main elements of today's budget will follow much the pattern set by the Tories. On the spending side, the minister is expected to extend restraint on civil-service wages and announce further defence cuts.

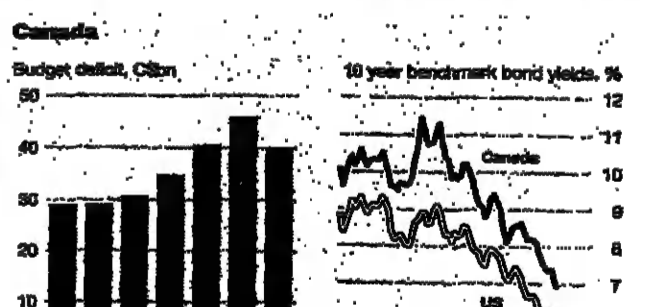
Despite the Liberals' criticism of Tory tax increases and signs that Canadians' tolerance of their heavy tax burden is wearing thin, Mr Martin plans to squeeze more revenue from taxpayers. Among the possible casualties are the tax-free capital-gains exemption, currently set at C$100,000 (£51,020), and a range of business expenses.

Mr Martin has indicated that he will aim for a budget deficit of C$39bn-C$40bn for the year to March 31 1995. That is down from the C$45bn estimate for the present fiscal year, but still far above the Liberals' election promise to cut the deficit to 3 per cent of GDP, equal to about C$22bn in 1994/95, by the end of their third year in office.

While fewer tax breaks and the modest deficit cut will come as a disappointment to the business community, the word from Ottawa is that the main purpose of today's budget is to set the stage for bolder measures in 1995.

The Liberals have promised to draw up proposals over the next 12 months to overhaul the social security system and to conclude a new agreement on transfers to the 10 provinces of responsibility for health, social welfare and education.

With these two envelopes making up close to 80 per cent of total federal spending, no meaningful assault on the deficit is possible until the reforms are in place.



Financial markets are expected to take today's budget in their stride. "There's no reason for anyone to be surprised," says Mr Ted Carmichael, senior economist at Burns Fry, a Toronto securities firm.

Domestic and foreign investors are more unsettled for the time being by Ottawa's monetary policies. Uncertainty on this front has been heightened by three recent developments: the first rise in US short-term interest rates in five years, the appointment from February 1 of a new governor of the Bank of Canada, and Mr Martin's tendency to ruminate about interest rates in public.

Mr Martin and the new bank governor, Mr Gordon Thiessen, have a strong incentive to keep Canadian interest rates falling. Canada is pulling out of recession far more slowly than the US. The economy is growing at an annual rate of only about 3 per cent, compared to more than 5 per cent in the US.

The traditional gap between US and Canadian interest rates is already at its narrowest in more than a decade. The gap on three-month Treasury bills is only 33 basis points, compared to a peak of 600 points in early 1990. The spread on 30-year bonds is currently 80 basis points.

The question in the minds of traders, investors and policy-makers is whether there is room for this gap to narrow still further, or even to disappear, without causing the Canadian dollar to nosedive.

Inflation in Canada is expected to be no more than about 1 per cent this year, about half the rate in the US. Even so, Mr Martin sent the dollar into a spin this month when he suggested that the rise in US rates might bring Canadian rates below those south of the border. His comments were immediately followed by a rise in short-term rates to protect the currency.

Bank of Nova Scotia economists noted in a recent commentary: "The central bank may have little choice but to sanction higher rates and spreads if currency pressures continue."

Despite the impressive inflation performance, the markets have yet to take the measure of Mr Martin and Mr Thiessen. Although the new governor is reputed to be a dedicated inflation fighter, he has yet to establish the credibility of his predecessor, Mr John Crow.

Similarly, Mr Martin and his counterparts in the provinces (whose combined deficits are even bigger than the federal government's) have not convinced the markets that their deficit-cutting actions will match their words.

Until they do, economists predict that Canadian interest rates will reach US levels only at the expense of a further slide in the Canadian dollar.

NEWS: WORLD TRADE

Warsaw wants London flight row resolved for summer

Poland eager to settle UK air dispute

By Christopher Bobinski in Warsaw and Anthony Robinson in London

Poland is seeking a quick end to the long-running dispute between British Airways and Lot, the Polish state-owned airline, which has blocked all direct flights between Poland and the UK since October 30.

"We've lost the winter, that was clear when we failed to get a deal by Christmas to catch the seasonal traffic, but we now want to resolve the dispute in time for the summer season starting in April," says Mr Boguslaw Liberadzki, the Polish transport minister.

The dispute arose out of the Polish government's refusal to allow British Airways to double its flights to Warsaw from seven to 14 a week. BA wanted to introduce an afternoon flight from London which would return from Warsaw in time for transit passengers to transfer onto flights to North American and other destinations. Lot feared that this would cream off passengers from its own transatlantic flights serving the large Polish communities in Chicago and other cities.

The two airlines, backed by their respective government agencies, have ignored the protests of thousands of business and other passengers who have been obliged by the dispute to change aircraft at other north European airports, doubling travel time between the two countries.

Mr Liberadzki says he reached an "understanding" with Lord Caithness, the UK minister who was dealing with the matter until he left the government earlier this year. "Both sides agreed they should emerge from the clash without losing face with the number of flights by both carriers gradually increasing to 14 a week over three years," he said. The UK minister now responsible for resolving the dispute is Lord McKay of Ardbrecknish.

The dispute between BA, which last week announced a threefold increase in profits to £65m for the third quarter of 1993, and Lot, which is being prepared for privatisation, reflects a tough battle by international airlines for a share in the fast-growing east European travel market.

BA, whose proposed Air Russia joint venture is currently holding fire, has discarded all previous pooling arrangements with east European airlines, with the exception of Aeroflot, and has held aloof from the kind of tie-ups with east European airlines which led Air France to take a stake in CSA, the Czech airline, and Alitalia to buy a stake in Malev of Hungary.

Instead BA opted to double its flights into Prague, Budapest and Warsaw. It obtained agreement from the Czech and Hungarian authorities, increasing the competitive pressure on CSA and Malev and helping to fill seats on its owntransatlantic and other flights with transit passengers from central Europe. BA's hopes to achieve the same results in Poland, however, came up against stiff resistance.

Morale at Lot has improved in recent months and so has profitability. The company yesterday reported a Zl 62.9bn ($3.4m) profit for 1993 after a Zl 84.1bn loss in 1992. It has managed to sell all its old Soviet aircraft and now runs an all-western fleet of three Boeing 767s, eight 737s and five Italo-French ATR 72s, leaving it with total debt of around $1bn.

First steps to 'green the Gatt'

Frances Williams on preparations for a negotiating programme for trade, environment and sustainable development after Uruguay

Talks on a work programme to tackle the nettlesome issue of world trade and the environment are starting to gather momentum after a slow start. Further impetus may come from a special session today of the General Agreement on Tariffs and Trade's governing council to discuss the matter.

Though ministers are due to approve the work programme in Marrakesh in April, governments appear to have only a vague notion of what should go into it.

The 118 nations taking part in the Uruguay Round of global trade talks agreed in December that a comprehensive work programme on trade, environment and sustainable development should be put to ministers when they meet to sign the final package of trade-liberalising accords.

Informal consultations since then suggest broad agreement on the need to set up a committee to carry out the work. However, its mandate, and lifespan, remain controversial.

No one disputes the need for Gatt, and its successor, the World Trade Organisation, to confront the way in which trade and environment policies interact and may conflict. There is nevertheless a wide gulf between the views of environmentalists, who favour changing Gatt rules to facilitate the use of trade restrictions for environmental protection, and those of developing countries who fear that moves to "green the Gatt" may spread a virulent new form of protectionism.

There has thus been strong resistance among developing countries to presenting the Marrakesh meeting with a fixed agenda which is bound, they believe, to reflect rich-world concerns. Instead, they want the Marrakesh declaration to confine itself to approving the principles guiding the committee's work and for the committee to decide its own agenda in its own time.

"Creating a committee on trade and the environment will already be a big step," says one influential developing country Gatt ambassador. "I don't think we should try to prejudge what the committee should discuss."

The principles underlying the work programme were outlined by Uruguay Round participants in a statement last December. They include the need to promote sustainable development, preserve the open trading system and avoid unilateralism while ensuring the responsiveness of the trading system to environmental objectives.

"There should not be, nor need be, any policy contradiction between upholding and safeguarding an open, non-discriminatory and equitable multilateral trading system on the one hand, and acting for the protection of the environment, and the promotion of sustainable development on the other," the statement says.

Environmental groups, for their part, fear that leaving the committee to devise its own work programme will be a recipe for delay and issue-dodging. More than 40 groups from around the world last week backed proposals calling for an "action-oriented" agenda aimed at reaching recommendations within two years.

Conscious of the sensitivities of developing countries, the proposals stress support for sustainable development and down-play the role of trade restrictions. At the same time, however, the Gatt/WTO is urged to address the two issues which most raise third world hackles.

The first relates to so-called processing and production methods (PPMs). Environmentalists want Gatt rules changed to allow discrimination between identical products produced in different ways. This would, for instance, validate US trade curbs, now judged Gatt-illegal, which ban imports of tuna caught in ways which kill too many dolphins.

The second concerns "eco-dumping" – the competitive advantage allegedly gained by countries with low environmental standards. Mr Charles Arden-Clarke of the WWF-World Wide Fund for Nature insists that there is no intention to oblige poor countries to adopt the high environmental standards of rich ones.

Rather, he says, the issue turns on the more general need to make product prices reflect full environmental costs. But the suspicion remains that in practice "eco-dumping" will serve as a new pretext for protectionism aimed primarily at poor countries.

Other agenda ideas are less controversial. For the last two years, a Gatt working group chaired by Mr Hidetoshi Ukawa of Japan has been discussing the relationship of Gatt rules with the trade provisions of multilateral environmental agreements, the need for transparency in trade and environmental policies, and the vexed question of eco-labelling and its impact on trade.

While the group did not seek to reach conclusions, the ground has been well worked over. These areas are likely to be priority items for the new committee even if they do not appear specifically in the work programme approved in Marrakesh.

The US, despite its high-profile campaign for early Gatt talks on trade and the environment, has no plans to draft its own agenda proposals. Mr Timothy Wirth, environment adviser to the US secretary of state, said recently the main US priority was creating a permanent committee to examine the trade/environment link.

Washington and like-minded European governments may thus prefer to play safe and see the committee safely established in Marrakesh before the real haggling begins.

A white-sided dolphin drowned in a driftnet Greenpeace

Japanese airline applies to slash fares

By Paul Abrahams in Tokyo

A price war broke out yesterday in the Japanese airline industry when All Nippon Airways, Japan's second largest airline by turnover, asked the Japanese Ministry of Transport to allow it to slash international economy fares by up to 55 per cent.

The move followed a request earlier this month from Japan Air Lines, ANA's main rival, to cut fares to the US and Honolulu by up to 50 per cent.

ANA said it wanted to reduce its economy fares to Europe by an average of 41 per cent, although the maximum cut would be as great as 55 per cent. It also wanted to offer a 44 per cent reduction for the standard fare to the US east coast. JAL said it was looking to cut fares to Asia and Europe, but had not yet decided by how much.

The ministry has the right to set maximum and minimum fares. The new tariffs, if approved, would be available from April 1.

The moves represent urgent attempts by both Japanese airlines to boost their passenger loads. They are suffering from poor demand, caused by Japan's worst recession since the second world war, fierce competition from other airlines, and high cost bases.

International routes have suffered particularly badly. ANA's international loading factor – the proportion of available seats filled – fell from 69.7 per cent during the 1992 financial year to 63.2 per cent during the six months to last September. Meanwhile JAL's international loading factor fell from 70.9 per cent during the six months to September 1992 to 66.6 per cent for the same period last year.

Meanwhile, ANA said it was suspending its joint flights with Sabena, the Belgian airline, between Brussels and Tokyo's Narita airport. It also revealed plans to set up routes from the new airport at Kansai to Shanghai, Beijing, Dalian and Tsingtao in China, as well as Seoul. The company said it aimed to set up an Asian hub at the airport, due to be opened in September.

ANA forecast it would increase the number of international passengers carried during the 1994 fiscal year by 6 per cent to 1.6m.

McDonnell Douglas in engine venture

By Paul Betts in Singapore

McDonnell Douglas of the US is expected to select BMW Rolls-Royce for a joint aero-engine venture between the German car maker and the UK aero-engine group to supply the power plant for its new MD-95 100-seater airliner.

Mr Richard Turner, Rolls-Royce's group marketing director, yesterday said at a Financial Times Asia Aerospace Conference in Singapore that "detailed discussions" with the US manufacturer were under way to supply a more powerful version of the BR-700 engine being developed by BMW Rolls-Royce for the new MA-95 twin-engine aircraft.

The decision is a setback for Deutsche Aerospace, whose MTU engine subsidiary in partnership with General Electric and Pratt & Whitney of the US and Snecma of France, are proposing to develop a rival engine to the BR-700.

BMW Rolls-Royce is also proposing the BR-700 to re-engine older McDonnell Douglas DC-9 twin-engine airliners. It has already been chosen by Gulf Stream of the US to power its GV, the business jet, and by Canadair for its Global Express long-range corporate jet. But the proposed deals with McDonnell Douglas would enable the Anglo-German venture to break into the much bigger regional jet airliner market.

Mr Turner said the first full BR-700 engine would start testing later this year, although the engine core had already run successfully.

Mr Robert Hood, president of the Douglas Aircraft Company, said the US company would soon start marketing to potential airline customers the MD-95, a derivative of the company's 130-seat MD-90 and the larger MD-80. All these twin-engine airliners are derivatives of the older DC-9s.

Aircraft makers expect the market for 100-seater regional jets to show strong growth in the next 15 years.

● Saudi Arabia's decision to award a $6bn contract for commercial jets to Boeing and McDonnell Douglas will cost the European aerospace industry up to 20,000 jobs, Mr Jean Pierson, managing director of the Airbus consortium, said in Singapore yesterday.

Financial regulator warns over eligibility

By Alison Smith

Many companies in the financial services industry could be prevented from doing business by the proposed new watchdog intended to give greater protection to private investors.

The Personal Investment Authority, which yesterday published details of how it intended to work, gave a clear warning that companies approved by present regulators would not be guaranteed acceptance under the new regime.

Mr Joe Palmer, the authority's chairman, said yesterday: "Though we'll be relying on data from existing regulators, the standards and decision-making are the PIA's."

Ms Colette Bowe, PIA chief executive, emphasised the onus would be on companies to show why they should be admitted to the regulator, rather than on the regulator to admit them.

Up to 6,000 individuals and companies, from small independent financial advisers to large banks, building societies and life companies, could be eligible for membership. The authority expects to be operational in mid-July this year, but still faces resistance from some parts of the financial services industry, including some leading life insurance companies.

The PIA's hand in overcoming industry opposition was strengthened yesterday by a statement from the Securities and Investments Board, the City's chief regulator, both that it was "minded to recognise" the PIA as the new watchdog for private investors, and that it intended to end its recognition of present retail regulators.

This means that members of Lautro, the self-regulatory organisation for the life insurance industry, and Fimbra, the self-regulatory organisation for independent financial advisers, who have misgivings about the PIA will not be able to remain under their present regulators indefinitely.

Instead, companies will have to choose between being regulated by the PIA or directly by the SIB, which has hinted that it might "sub-contract" this task to the PIA.

Publication of the PIA's prospectus met a cautious reaction from the financial services industry, but was largely welcomed by existing regulators. Lautro highlighted the improvements in the procedures for dealing with complaints against members and the "risk-based" approach to regulation. The Consumers' Association called the PIA the "last chance for self-regulation" and urged the new body to "ratchet up the threshold of minimum competence". The PIA has faced some criticism for deciding that people working in the financial services industry should make up 10 of the 21 board members.

Mr Palmer insisted yesterday that the plans still amounted to self-regulation, and that the board balanced "both the interests of the membership and the public interest".

Clarke defends conduct on Iraq trial documents

By Jimmy Burns

Mr Kenneth Clarke, the chancellor, told the Scott inquiry yesterday he remained convinced he had served the national interest by attempting to restrict information on Britain's intelligence services from the Matrix Churchill trial over exports to Iraq.

Mr Clarke said that while serving as home secretary he had signed public interest immunity (PII) certificates that prevented intelligence officers from providing certain types of information. He said he did so after satisfying himself that full disclosure would have "damaged" Britain's intelligence services and put at risk some of its operatives.

He told the inquiry: "Once I decided that this type of information, if disclosed, would be damaging to the intelligence services and it was not in the public interest for this to be in the public domain, then . . . I had a duty and still think I have to claim public interest immunity . . ."

Mr Clarke has threatened to resign if he is criticised by the judge's final report. Yesterday, in a characteristically robust performance, he refused to accept any personal culpability and insisted that the PII certificates had not prejudiced the defence in the Matrix Churchill trial.

But Labour's trade and industry spokesman Mr Robin Cook said Mr Clarke's evidence raised new questions about the conduct of other ministers and the government's legal advisers.

Mr Clarke said he considered that as minister he had discretion as to what evidence should be covered by the PII certificates. Other ministers and government lawyers have argued that ministers are obliged to sign such certificates, and that it is for the attorney-general to decide whether he will sanction them. Mr Clarke said he had in previous cases argued successfully against government lawyers.

But he told the Scott inquiry that Mr Michael Heseltine, as trade secretary, had signed a PII certificate in the Matrix Churchill trial on the advice of the attorney general Sir Nicholas Lyell that all ministers were duty bound to do so.

Mr Clarke said that Mr Heseltine had been "uneasy" about the PII certificates because it appeared to aim to suppress a much wider range of information on government activities than was justified.

Mr Heseltine's PII certificates covered advice to ministers from officials, and communications between ministers. The defence in the Matrix Churchill trial alleged that the documents proved that three businessmen charged with breaching rules over exports to Iraq had done so with the approval of government. One of the businessmen had been recruited by the intelligence services.

The trial collapsed after the defence convinced the trial judge that the bulk of the documents covered by PII should be disclosed. Mr Clarke said he had "never known" of a PII being sought by a government minister to "seek a conviction of an innocent man".

Labour's employment spokesman John Prescott yesterday defended his party's discussion paper, Financing Infrastructure Development, which argues that there is scope for much greater use of private finance in the provision of transport infrastructure, inner city redevelopment, training, housing, childcare and defence diversification. The paper also calls for "imaginative" financing solutions, such as transferred planning gain and regulatory changes in return for investment Picture: Lyde van der Meer

Tax increases 'set to slow recovery'

By Graham Bowley

Tax rises will slow the pace of the UK recovery, but not for 12 to 18 months, says a study from Britain's National Institute of Economic and Social Research.

In its latest economic review, the institute says growth will be supported over the next 12 to 18 months by the impact of lower interest rates and the devaluation of the pound that has occurred since 1992. These factors will outweigh the effects of the tax increases. From then on the burden of higher taxes will dominate, assuming there is no relaxation in policy, and the influence of taxes will continue to be felt for some "considerable time to come".

The institute predicts that the economy will grow by 2.7 per cent this year, just ahead of government forecasts. But growth next year will slow to 2.6 per cent, below the government's prediction of 3¼ per cent, and growth is then predicted to drop towards 2¼ per cent, significantly lower than the chancellor's medium term projection of 3 per cent.

Inflation is forecast to be running at an annual rate of 3.7 per cent by the end of this year and is expected to rise to 4.6 per cent by the end of 1995, well outside the government's target range of 1-4 per cent. The institute sees interest rates being cut to 5 per cent in the second quarter of this year, possibly in April to coincide with the tax increases, but then rising to 6½ per cent in the medium term to counter the rise in inflation.

The institute finds some reasons to be optimistic about the state of the UK economy. In particular, productivity is rising unusually quickly and wages and prices have shown an unusually subdued response to the sharp fall in the exchange rate. The institute says the UK has made improvements in economic efficiency. It says "in some industries a better performance and use of resources is obvious".

It is this improvement in efficiency, along with a shift in policy priorities towards greater price stability, which has given the UK an inflation prospect which, it says, now compares favourably with those of other countries.

Unemployment will level off to around 2¾m, a "disappointingly high figure", with a considerable change towards part-time employment and the majority of these part-time jobs being filled by women.

Britain in brief

MPs vote against death penalty return

MPs rejected a demand for the return of hanging for all murderers aged over 18 by a 244 majority (403-159) in a free vote in the Commons last night.

It was the biggest setback suffered by the pro-hanging lobby since capital punishment was abolished in 1965.

An attempt to amend the criminal justice and public order bill to provide for the reintroduction of hanging for all murders of police officers was defeated by a majority of 197 (383-186).

The votes followed a blunt warning by Mr Michael Howard, the home secretary, that miscarriages of justice could result in innocent parties being hanged.

Mayhew outlines Ulster position

Government representatives have never been authorised to tell republican leaders that Britain intended to withdraw from Ulster, Sir Patrick Mayhew, the Northern Ireland secretary said yesterday.

But he did not deny that an indication to that effect might have been given to Sinn Féin's Mr Martin McGuinness at an unauthorised meeting. The government has acknowledged that two unauthorised meetings did take place.

Sir Patrick's comments came in advance of a BBC television programme last night which claimed a government representative told Mr McGuinness at a meeting three days after last year's Warrington bombing that Britain's long-term intention was to pull out.

Merrett to set up new business

The Merrett Group confirmed yesterday that it could set up a new underwriting business outside of the Lloyd's market, following its withdrawal last year from the active management of Lloyd's syndicates.

The group, which is chaired by Mr Stephen Merrett, the former deputy chairman of Lloyd's, transferred management of its syndicates to rival agents after losing the backing of Names, the individuals whose assets traditionally support the market.

It subsequently restructured its activities around its loss adjusting and insurance services companies and is conducting a sizeable "run off" business – administering the payment of claims on business underwritten by its syndicates in previous years.

"The group has been considering various opportunities . . . However, while the strategy is firm, the structure and constitution of any new Merrett-linked insurance vehicle remain under discussion," it said yesterday.

Plea on worker representation

Britain's trade unions are now "a positive force for change" in making the country's industry globally competitive, a senior union leader said last night.

But workers need the same legal right to workplace representation as their counterparts have in Germany and Japan if industry is to achieve a new partnership between capital and labour, Mr Bill Jordan, president of the AEEU, the UK's largest manufacturing union, said in a speech last night in London.

"A legal right to representation at the place of work would be a giant step towards eradicating the British disease instead of just suppressing the symptoms as successive governments have done. Good legislation is a catalyst for change," Mr Jordan said.

He emphasised this was "not the same thing as a right to recognition for unions", while admitting "if the British tradition were followed, it would generally mean representation by a union".

Mr Jordan said that unions were good for employers because they helped to raise productivity through co-operating in new flexible working as at Rover and Toyota in the UK and removing fears and uncertainties among workers.

Electronic voting rejected

MPs spent a total of 94 hours in the process of voting during the last parliamentary session, Mr Tony Newton, leader of the House of Commons, said yesterday, rejecting Labour calls for the introduction of electronic voting. He said the prospect of electronic voting "would not command universal support".

Mr Tony Banks, Labour MP for Newham North West, had called for voting machines to be introduced on the grounds that it was time the Commons was "dragged into the 20th century".

He was supported by Ms Kate Hoey, Labour MP for Vauxhall, who asked whether it was sensible to devote the equivalent of nearly four days of a parliamentary session in voting procedures.

Church adverts are approved

The Church of England was yesterday given approval for large-scale advertising campaigns to spread the Christian message.

Internal policymakers ruled there was no ethical bar to advertising provided it was used in co-operation with other churches.

They said advertising could be a "creative, effective, appropriate, even amusing" means of getting the Christian message across. But it should only be used as part of an overall communications strategy.

Malaysian opposition pressure over Pergau

By Kieran Cooke in Singapore

A prominent opposition figure in Malaysia says he will ask the government of Dr Mahathir Mohamad, the prime minister, for a copy of a 1988 memorandum of understanding signed by Dr Mahathir and Mrs Margaret Thatcher, the then British prime minister, relating to more than £1bn of UK arms sales to Malaysia.

Mr Lim Kit Siang, leader of the small opposition Democratic Action party (DAP) has been the main force behind the setting up of a parliamentary panel to investigate the circumstances surrounding the arms sales.

"The all-party parliamentary committee on parliamentary honour and national integrity will write to prime minister Dr Mahathir Mohamad for a copy of the secret memorandum of understanding signed with Margaret Thatcher," said Mr Lim.

Mr Lim said the panel would also ask for a list of the local agents of the various British companies involved in the arms sales following the signing of the memorandum "to ascertain whether there was any favouritism, irregularity or hanky-panky involved".

The Malaysian parliamentary committee has yet to meet and opposition MP's say it is unlikely that parties who make up the governing national front coalition will agree to being represented on the body.

In Britain, the opposition Labour party has alleged that the 1988 memorandum on defence sales to Malaysia was linked to the granting of £234m of UK aid for a dam project in Malaysia. Such a linkage would be a breach of the government's own aid guidelines.

Two British parliamentary committees are now investigating the affair, while a report into the matter by a committee of the Organisation for Economic Co-operation and Development has been carried out and is due to be published by mid-March.

Green rules may force up cost of funerals

By Bronwen Maddox, Environment Correspondent

Funeral costs may rise sharply as crematoria are faced with spending up to £100m in the next few years to meet new environmental rules, funeral managers said yesterday.

Britain's 200-odd crematoria need rapidly to install new incinerators to meet the standards specified in the 1990 Environmental Protection Act.

They also need to burn four to five times as much gas to reach temperatures specified in the new rules. "That hardly makes sense if we're all trying to stop global warming" said Mr Mike Stride, general secretary of the Institute of Burial and Cremation Administration, which represents crematoria managers.

Crematoria, which are currently covered by the Clean Air Act, must comply with the new rules by 1998. The EPA rules are intended to eliminate emissions of dioxins, hydrogen chloride and heavy metals, but crematoria managers said yesterday that the risk of these emissions was tiny.

"There are more pollutants from cars that come to the funeral than from the crematorium" said Mr Graeme Sloan, Lewisham Crematoria manager, yesterday.

Many in the industry are now calling for tighter rules on coffins and their contents to reduce the technology needed to control emissions.

The complaints come against criticism from many sectors of industry that the EPA is adding to industrial costs without achieving adequate environmental improvement.

Mr Stride said: "most places are looking at spending half a million pounds – this will probably cost the industry £100m and that's before the extra gas costs".

A typical crematorium handling several thousand funerals a year might see its gas bill rise from £4,000 a year to £20,000.

Pre-paid funeral business faces investigation

By Robert Rice and Motoko Rich

Britain's Office of Fair Trading yesterday launched an investigation into the UK's expanding pre-paid funeral business. The inquiry follows the collapse last month of a Yorkshire-based company running a prepayment scheme and comes amid mounting concern about the lack of regulation of a business that it said could in time be worth billions of pounds.

In the US, pre-paid funerals are already big business with 40 per cent of funerals pre-paid in some states such as Florida and one in seven pre-paid in the US as a whole.

In the UK the funeral business is worth about £70m at present with pre-paid schemes taking 3 per cent of the market. The OFT estimates 100,000 plans have been sold and expects the market to expand eventually to 150,000 a year.

Sir Bryan Carsberg, director-general of fair trading, said the financial implications of the growth of pre-paid funerals was considerable. If 25 per cent of the UK's 20m people over 50-years-old bought plans at about £1,000 a time the funds would be holding £5bn.

These funds would not be regulated or safeguarded, he said. Proper arrangements were needed to cover the appointment and powers of trustees and the deployment of returns from investing prepayments. The funds should be kept separately from shareholders' funds.

It was also important to ensure elderly and vulnerable people were not sold schemes they could not afford, and that plans purchased decades before a person's death were honoured or a refund paid to the person's estate, Sir Bryan said.

The four main companies providing pre-paid funeral schemes – market leader Chosen Heritage, Dignity, Golden Charter and CWS, the Co-operative Wholesale Society – offer a variety of plans ranging in cost from about £750 to in excess of £5,000, though the average cost tends to be between £850 and £1,200.

Dignity and Chosen Heritage – which is recommended by the national charity Age Concern – are members of the National Association of Pre-Paid Funeral Plans, and Golden Charter and CWS co-founded the Funeral Planning Council.

Both bodies are working on codes of practice covering pre-paid schemes and demand that their member companies hold pre-paid funeral fees in independent trust funds with separate custodian trustees. Sir Bryan said the OFT inquiry would look at the codes to see if further safeguards were needed.

South-west regroups after military setback

Roland Adburgham assesses three counties' efforts to diversify their defence-dominated economies

Next month staff will move into a wisteria-clad regency building in Chippenham, Wiltshire, as part of one initiative to tackle the biggest challenge facing the south-west of England's economy – diversification away from defence.

The south-west has been identified by the Department of Trade and Industry as having the highest defence dependency in the country. Within that region Wiltshire, Gloucestershire and Avon are seen as highly vulnerable to cuts in defence industries and military services.

The three counties have more than 70 military bases and Ministry of Defence civilian centres, 45 large defence manufacturers and hundreds of suppliers. Defence-related employment is put at 110,000 people or more than 11 per cent of the working population. But in Wiltshire alone, 11 military bases are closing or running down in the next few years.

Faced with this pay-off from the peace dividend, the three counties formed a unique collaboration last year to bid jointly for European Konver funds, which are intended to aid areas suffering from the rundown in defence spending. The bid quoted forecasts that more than 20,000 jobs could be lost in the three counties by the year 2000.

In December the south-west was awarded the largest single tranche of the funds, £2.5m of the total £15.5m UK allocation. Avon, Gloucestershire and Wiltshire won the biggest share in the south-west with a grant of £1.3m.

Mr Richard Brown, chief executive of the Western Development Partnership, an economic forum involved in the bid, says: "We got the money because we had a strategy, but also because of the partnership approach."

The Konver money, which has to be matched locally, is now starting to be allocated to specific projects. Among these is the Chippenham regency building, in which a business development centre is being set up with £100,000 of European funding over two years. The centre's partners include the county council, which helped to buy the building, Wiltshire Training and Enterprise Council, and Workout, a charity which advises redundant MoD staff.

In addition to training and consultancy services the centre will provide help in the take-up of new technology.

Mr Norman Hayes, of Great Western Enterprise, one of the partners, says it will work closely with Chippenham Technical College and in particular aims to support companies employing fewer than 150 people.

"We want them to have the advantage of every possible resource to adapt their products to meet market demand as they swing away from defence," he says.

Other Konver projects in the three counties include feasibility studies for the reuse of redundant military bases and a business-networking scheme. One of the most significant projects, which won a grant of £240,000, is for a technology and innovation management team, co-ordinated by Western Development Partnership.

Its aim is to develop a flow of technology between industry and higher-education institutions. It will offer advice on new product development and marketing and refer small and medium-size companies to colleges or other institutions for help with, for example, product testing. A team of three counsellors will tour companies, providing free advice for up to a day.

One idea is to provide technology and innovation vouchers up to a value of £600. Awarded at the discretion of the counsellors, companies will be able to exchange the vouchers at colleges or research centres to meet half the cost of specialist work and services.

The Konver funding is the first time the three counties have benefited from any government or European-funded initiatives for economic diversification. But, compared with the scale of the task in adapting labour skills and encouraging companies to innovate, there is a belief that Konver is only skimming the surface.

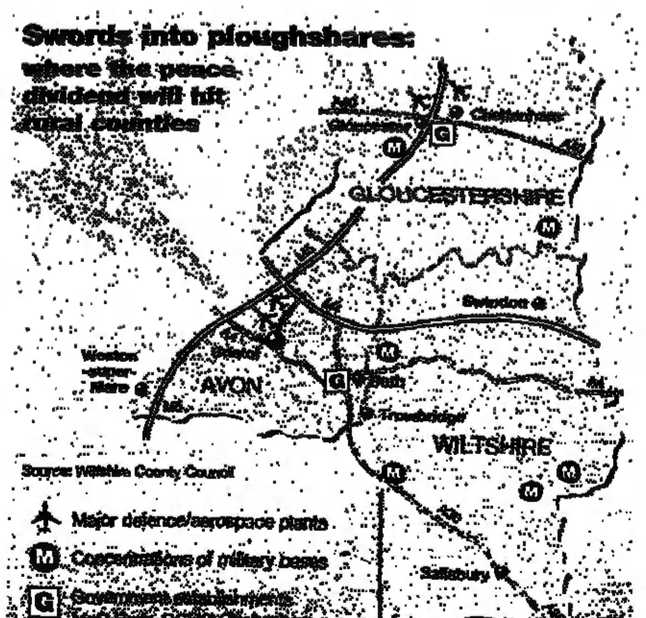
"The amount of money which has been won for this region is welcome but inadequate," says Ms Linda Skinner, director of the Centre for Innovation and Industry at the University of the West of England in Bristol. "We will be pressing hard for more resources to flow.

"Our research shows that, at present, many businesses are not aware that they are defence-dependent, particularly where they are second and third level in a supply chain."

Mr Adrian Kendry, of the university's research unit in defence economics, says: "One senses that the Konver programme is being used by the British government as the lowest common denominator in getting involved in any serious restructuring. While the Konver programme is laudable, it fails to address the magnitude of what is required."

Mr Kendry says the government's commitment to the restructuring of defence-related industry contrasts very unfavourably to federal initiatives in the US, and he is critical of the lack of collaboration between the MoD and the DTI on technology conversion.

"The decline in the manufacturing base and the threat to the technical base is so substantial that the restructuring implied by Konver could be seen as window-dressing," he says.



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For further details, please contact Mark Shires, Joint Administrative Receiver, or Jack Ferguson at Coopers & Lybrand, Orchard House, 10 Albion Place, Maidstone, Kent ME14 5DZ, Telephone: (0622) 672981. Fax: (0622) 662053. Alternatively, telephone the company on: (0843) 590950.

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For brief particulars of sale, please apply to the Joint Administrative Receivers GCS Baker and T. Frid. Ernst & Young, Provincial House, 37 New Walk, Leicester LE1 6TU. Telephone: 0533 549818. Facsimile: 0533 551357.

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Dated: 16 February 1994
Signed: J M Iredale and S P Holgate
Coopers & Lybrand
9 Greyfriars Road
Reading
Berkshire RG1 1JG

H & T TRADE FINANCE LIMITED
Registered number: 2312622
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R RUDDOCK and N H COOPER
Joint Administrative Receivers
[illegible]
ROBSON RHODES
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By whom appointed: Barclays Bank plc
Date of charge: 30 July 1993
Nature of charge: Mortgage Debenture

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MANAGEMENT

EXPORTING

Difference between a profit and a loss

Richard Gourlay on benefits of export credit insurance

It is easy enough to lose money by selling to a company in another town that suddenly goes bust. Suppliers suffer this indignity every week, in spite of increasingly sophisticated credit controls.

To lose money when a customer overseas fails is even easier. The culture, language and local market are often relatively unknown to the new exporter. So reducing the risk by using export credit insurance is the obvious answer.

Yet some exporters still claim it is expensive or unavailable in some parts of the world. This view is partially endorsed by Howard Davis, director-general of the Confederation of British Industry. "There have been some welcome improvements in cover and reductions in premiums," says Davis. "But in some markets UK support still compares unfavourably with that of the competition."

What is more, exporters say, the UK alone in the European Union does not supply state reinsurance support for short-term export credit. The government has extended "transitional" cover until the end of 1997. This was put in place when part of the Export Credit Guarantee Department was privatised in 1991, but the lack of permanence is causing uncertainty.

According to the leading insurance providers, Dutch-owned NCM and Trade Indemnity of the UK, about £35bn of a possible £35bn to £45bn of exports that could be insured is already benefitting from short-term cover. How much greater, some exporters ask, could UK exports be if the supply and cost of credit became easier?

For smaller companies that do find the cover they require, the management of export insurance can still be difficult. "The tricky thing for small companies is the need for detailed administration of your policy," says Ian Campbell, director-general of the Institute of Exports.

While the rules are clear, cover is often rendered invalid by customers who forget to provide details of transactions, exceed credit limits, deliver goods outside agreed dates or fail to report payment delays.

Even experienced exporters often treat export credit insurance like a car policy that can be bought and forgotten. "You cannot buy a credit insurance policy of any type and put it in the drawer and forget about it," says Barbara Bennett, corporate relations manager at Trade Indemnity. "You have to manage it alongside your credit controls."

Unlike car insurance, which is only pulled out when needed, export credit requires constant tinkering – changing credit limits, applying for new ones and pruning those which are no longer needed – if the costs are to be properly managed.

Insurers say they do more than just provide cover. They can steer exporters towards or away from certain markets

So where should new exporters turn for advice and cover? There are two different forms of export credit insurance. Medium-term insurance covers sales or large projects when payment is expected over a two-year period or more.

It attracts a lot of attention – and the bulk of the government's reinsurance through the official export credit insurer, the Export Credit Guarantee Department. But only a small number of companies use this form of cover.

About 85 per cent of credit insurance is short-term cover. Since 1991, when the ECGD short-term insurance division was privatised, there have been two dominant credit providers – NCM, which bought the short-term credit business and is by far the largest, and the relative newcomer, Trade Indemnity. TI is the largest domestic credit supplier and has also moved into the export market.

Both companies in theory cover exporters against losses up to 90 per cent of the value of invoices where a customer defaults, and up to 95 per cent if the customer is willing to pay but the country defaults, as was the case with Nigeria in 1983.

Unless they are very big, exporters should not take their business directly to an insurer. The smallest exporters – with sales of £100,000 or less – may find more appropriate managed policies provided by Intrum Justitia, CAD, part of the conglomerate BTR, or a limited number of banks. Here the exporter becomes the joint holder of a policy – often reinsured with NCM – and can pay a lower premium than the insurer would have charged had it been handling the business directly.

For larger exporters, it almost always pays to use a broker to approach the insurers.

A good broker should be able to weed out classes of business that do not require insurance – sales to an associate company in another country, for example.

And they should help in claims and managing credit lines, an area that too often receives little attention from exporters.

In spite of the need for careful management of export insurance, the case for having it is irrefutable. A company earning 10 per cent profit margins, for example, which has a bad debt of £100,000, would have to make additional sales of £1m to make up the loss.

Insurers say they do more than just provide cover. They can steer exporters towards or away from certain markets and in addition to helping with the credit control function.

"There are benefits of credit insurance alongside a company's own credit management system," says Colin Foxall, chief executive of NCM. "There are very few cases where it would not make sense for an exporter to take credit insurance."

Paul O'Hea, managing director of Colt Group, is in an unusual position.

At 35 he is in charge of a thriving Hampshire-based maker of air-conditioning and ventilation systems with sales of £92m and manufacturing sites in three European countries.

He is also the third generation O'Hea to control Colt, which was founded by his grandfather. This achievement grants the O'Heas membership of an exclusive club of families whose companies have survived what is often a debilitating war of succession.

The transition has apparently been seamless. Paul's uncle, Jerome O'Hea, whom he succeeded at Christmas, has become chairman and moved his office to his home; he promises to visit the company only once a fortnight. And Alan O'Hea, Paul's father, who ran the business for 30 years after taking over from founder Jack O'Hea when he was 32, is president and performs a largely ambassadorial role.

But the O'Hea story is something of a rarity. There are, of course, other examples of successful succession. The Hoare family has just introduced the eleventh generation at the private London bank and Wates, the builders, is now run by the grandson of the founder.

But like Colt, these are exceptions. According to Alden Lank, professor of family enterprises at IMD, the Lausanne-based international management school, only 15 per cent of family companies that manage to survive five years are successfully passed on to a third generation.

"The problem of succession is the single most important reason for family businesses not to continue over the long term," Lank says. "Families just can't get their hands around this issue."

A more typical story is that of G.H. Zeal, a south London manufacturer of thermometers. Stephen Zeal, a graduate of the London Business School, says Zeal is a "very typical family business".

"My father and uncle were the third generation entering a cash-rich business in the 1950s with sufficient resources to compensate for mistakes made."

When he joined in the late 1970s, the company had sales of about £3.5m. "I came in as the fourth generation with lots of ideas, the eldest of four boys," says Zeal. But its traditional thermometer market started to come under pressure from electronic products.

Declining sales meant a disproportionately large overhead became a constraint on further development.

The company needed more cash but Stephen Zeal says his father and uncle lacked enough confidence in the company's future to request extra resources from the family.

"There was a slow and sluggish response to business demands," Zeal says. "The issue was the ability or inability of the family members to take timely commercial decisions." He left and set up his own company making electronic temperature gauges.

As a result of the company's financial position, the family decided the only way to secure value from the business – then only breaking even – was to sell to a management buy-out, a decision Stephen Zeal deeply regrets.

"There was an in-house fight between myself and the older generation," says Zeal. "The big problem was the family had run out of money and the company had continued to decline."

Zeal believes the problems were exacerbated because shareholdings were dispersed between about 20 family members, via various trusts. As a result, the executive directors lacked the motivation to take further personal financial risk on behalf of the other members of the family, he says.

"If the family directors felt solely responsible for themselves and their own shares then maybe a decision would have been taken to put further security down to generate more cash," says Zeal.

Lank says private companies in this situation need to anticipate such problems by "pruning the family tree". To avoid intra-family politics that can follow when no one member owns a significant stake, early action is needed, he says.

In Colt's case Alan O'Hea's father did the first pruning. "My father recognised this very early on and set up a structure in 1959 of discretionary trusts to hold Colt shares," says Paul O'Hea. A second pruning is under way with the company buying out the interests of the founder's two daughters.

"We faced the fact that the family grows exponentially and the family business does not," says Jerome O'Hea. "We realised it would not be possible for Paul and his cousins to manage to sustain ever increasing numbers of shareholders."

Another option, if there are enough assets, is to split them between offspring and disallow cross-directorships. The Swiss-based Schmidheiny family, which has diversified industrial investments, took this route.

Alternatively, shares can be split into voting and non-voting shares so that management control is entrusted to a smaller number of hands. "If you are worried about shareholders setting up coalitions your thinking time is spent wondering how to manage the politics of the family," says Lank.

Paul O'Hea is also convinced that a succession plan should be clearly articulated. Colt announced Alan O'Hea's retirement date six years ago. And Paul O'Hea is clear about how often he would like to see his uncle in the office. "IJ would turn up regularly," says Paul O'Hea of Colt's founder, Jack O'Hea. "I get the impression it will be easier for me because we have learned."

Looking forward, Paul O'Hea realises the rights of those family members not working for Colt is an issue he must tackle. For the first 30 years of Colt's existence family members did not receive dividends. He recognises the potential conflict between his interests, as a professional manager drawing a salary and running a company car, and the desires of some of the non-working family members to capitalise on their inheritance.

"I am in the business to keep it private and to grow it," he says. "My view is we will go on pruning the family tree as long as the company can provide the cash to do it."

Trevor Humphries

Keep it in the family: Paul O'Hea (front), the third generation O'Hea to control Colt, his uncle, Jerome, and grandfather, Jack

Survival in a war of succession

Richard Gourlay finds that pruning the family tree can avoid damaging intra-family company politics

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FINANCIAL TIMES SURVEY

European Finance and Investment: **Portugal**

Tuesday February 22 1994




Different perspectives: Traditional industries, such as footwear, are undergoing radical reforms and unemployment while sleek office buildings are rising in Lisbon. Stock market reforms have encouraged investors but some people live in abject poverty. Pictures: Ashley Ashwood and Paul Forster

A time for celebration and reflection

After eight years of economic expansion, Portugal has plunged into a recession. It has exposed the dark side of [redacted] society where sleek office blocks rise in a capital city ringed by shanty towns, writes Peter Wise

C[redacted] waving [redacted] nations will throng the [redacted] Lisbon this April in commemoration of [redacted] anniversary [redacted] the "Revolution of [redacted] Flowers" that ended 48 years of [redacted]ship and set [redacted] Europe's poorest country on the road to prosperity.

The anniversary will be an occasion to celebrate the principal legacies of the revolution: a stable parliamentary democracy, membership [redacted] the European Union and sustained economic growth that has improved living standards and moved Portugal past Greece in terms of output per capita.

But the commemoration will also be a time for reflection on what has not yet been achieved and why. After eight years of economic expansion, Portugal has plunged [redacted] a recession that has exposed the unappealing underside of a society that the government [redacted] been describing [redacted] "an oasis [redacted] growth in Europe" and [redacted] "democracy of success".

Sleek office blocks are rising in [redacted] new financial centre in Lisbon [redacted] the city [redacted] still fringed with makeshift [redacted] towns, where thousands live in abject poverty.

"A country that launches [redacted] own satellites can't have people living in such conditions," acknowledges Mr Joaquim Fer[redacted] Amaral, minister [redacted] public works, transport [redacted] communications. The government has promised [redacted] spend Es300bn [redacted] wipe [redacted] shanty towns within five years.

Many of those living in these "bairros de lata" are destitute farm workers who have moved to the cities in search of work. Portugal's backward agricultural sector, which employs 12 per cent [redacted] the labour [redacted], has proved unable to compete successfully within a single European market. Reduced earnings have left a majority of farm workers living at subsistence level on incomes only a third as big as those of their Spanish counterparts.

Portuguese average wages as a whole are lower than in developing [redacted] such as Singapore, Thailand and Taiwan, let alone any other western European country.

Industry is also suffering the effects of increasing competi[redacted]. Traditional [redacted] such as textiles – which accounts for [redacted] per [redacted] exports – footwear, ceramics and metallurgy are undergoing a radical restructuring process [redacted] widespread closures and dismissals. Unemployment rose from 4.2 per [redacted] labour force in 1992 to 5.2 per cent in 1993 and will climb significantly higher this year.

Many more people have been given access [redacted] health care [redacted] education since the revolution. But [redacted] are poorly organised and facilities are often rudimentary. Welfare payments such as unemployment pay and [redacted] are barely sufficient to live on.

"The country is moving towards modernity; [redacted] development; towards credibility, and towards having a voice within the European Union," [redacted] Mr Aníbal [redacted] Silva, prime minister. "But it will not be easy. The process involves changing mentalities. We cannot afford to support enterprises that are inefficient. We have to concentrate our resources on companies with the potential to compete at an international level."

Mr Cavaco Silva admits that the recession of 1993, when output fell 0.5 to 1 per cent, was the most difficult period for his centre-right government since he came to office in 1985. But the economic cycles that have served him so well in the past appear to be evolving in his favour again. Economists forecast that the slump will bottom out during the first half of 1994 and that gross domestic product growth for the year will reach 1 per cent. By the time of the next general election, in October 1995, the economy is likely to be expanding at a rate of [redacted] per cent [redacted] year.

The EU, [redacted] funds have contributed so much to Portugal's growth in recent years, will again play a crucial role in an economic pick-up that will boost Mr Cavaco Silva's chances of re-election [redacted] the head of what would [redacted] third majority government. He says he will refuse to serve in [redacted] minority government.

EU aid to Portugal for the period [redacted] is [redacted]mated at Es3,500bn, double [redacted] of [redacted] previous six-year period. The [redacted] funds will [redacted] this summer, stimulating public and private investment in industry and, particularly, [redacted] and [redacted]. The [redacted] recovery in some of Portugal's main export markets will be an additional factor in launching [redacted] new cycle of growth.

"[redacted] slump here has been relatively light and short-lived," [redacted] Mr [redacted] Freixa, assistant general manager of Barclays Bank in Portugal. "This time, the authorities appear to have been right when they predicted Portugal would be the last to fall into recession and one of the first to move out."

The banking sector, in fact, emerged from last year's recession with an overall growth in profits of 11 per cent, slightly higher than in 1992. Banks offset shrinking margins with substantial increases in income from commissions and the cross-selling of the products of their financial subsidiaries.

They also reaped important profits from trading in public debt securities and foreign exchange during the currency crises in Europe last year.

Despite the recession, total credit advanced rose by about 10 per cent. This was partly due to the growth of new prod[redacted] such [redacted] and house-purchase [redacted]. But, according to Mr Alexandre Vaz Pinto, president of the Portuguese Bankers' Association, some banks also deliberately renewed bad credits to avoid provisioning for them. Total bad debt is believed to have risen from Es450bn in 1992 to more than Es650bn last year, about 8 per cent of total credit.

The proportion of bad debt is almost certain to increase this year as the effects of the recession on industrial companies filter through to the banks.

Another financial sector that has bucked the recessionary trend is the capital market. As short-term interest rates fell, investors turned to the stock market for more attractive returns. Liquidity drove share [redacted] up more than [redacted] per cent in 1993, despite the poor prospects of many quoted companies. Total market capitalisation doubled.

[redacted] improving the [redacted] administrative functioning [redacted] the stock market also inspired greater confidence from [redacted] of Portugal [redacted] an emerging market attracted investment from the steadily increasing number of emerging market funds.

Another important step in the development of the capital market could be the proposed creation of a futures and options exchange in the northern city of Oporto.

Restructuring and liberalisation have progressed considerably faster in industry. The re-privatisation of banks and insurance companies nationalised after the revolution has been completed with the exception of one bank. A second attempt at privatising Banco Pinto & Sotto Mayor will be made this year. The government rejected a bid made for the bank in 1993 as too low.

In the heady days of 1975, communist-led governments hailed the nationalisations as "conquests of the revolution". Today, Portugal has a sharply different perspective on what the revolution achieved... and what [redacted] as yet, been [redacted] undone.

■ THE ECONOMY

New finance minister wins support

Mr Anibal [illegible] Silva, Portugal's prime minister, has entrusted the mission of leading his country [illegible] recession [illegible] Mr Eduardo Catroga, a genial, silver-haired businessman who was sworn in as finance minister following [illegible] cabinet reshuffle last December.

Mr Catroga, respected in the corporate world for his capacity [illegible] decision-making, [illegible] former [illegible] manager with practical experience [illegible] the problems [illegible] Portuguese industry. His down-to-earth approach has already won sympathy from [illegible] business and financial community often at [illegible] with his [illegible] technocratic or academic predecessors.

Support for the [illegible] pull [illegible] country out of its first recession in eight years is strong, but he has no illusions that the task is going [illegible] be easy. "Recov[illegible] may [illegible] slow and difficult," he [illegible] in [illegible] first speech, [illegible] to [illegible] confer[illegible] of [illegible].

After [illegible] when its growth [illegible] was higher than [illegible] European Union [illegible] Portugal [illegible] into [illegible] in [illegible] output dropping an estimated 0.5 to 1 [illegible] cent. Exports were hit hard by [illegible] the EU, [illegible] three quarters of the country's [illegible] falling by [illegible] forecast [illegible] volume.

External [illegible] compounded by policy mismanagement [illegible] machine virtually collapsed, leading [illegible] doubling of [illegible] budget [illegible] original forecast. [illegible] confused by a rift over [illegible] policy [illegible] the finance ministry and the central bank.

In the face of a deepening slump, the government, which had originally forecast [illegible] per cent growth in 1993, was forced to abandon the premise that Portugal was an oasis of expansion in [illegible] Europe laid low by [illegible].

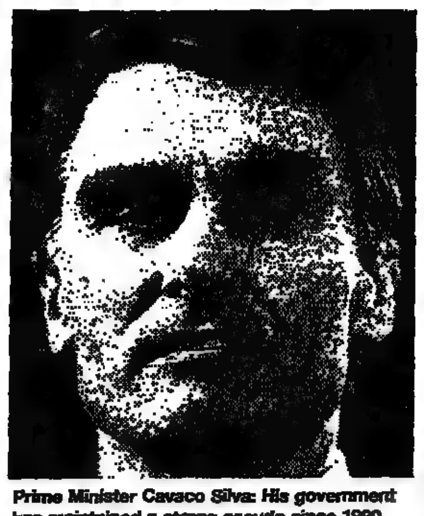
Recession, most analysts agree, was an inevitability that the government tried too long to ignore. "The cycle of growth in Portugal had been so extraordinarily long [illegible] an adjustment [illegible] no longer be avoided," says one bank economist.

The slump will get worse before it gets better, but [illegible] it will [illegible] out during the first half of 1994. Portugal should register positive growth of 0.5-1 per [illegible] year, most probably remaining below the EU average. [illegible]ery is expected to take [illegible] firmer grip in [illegible] moving [illegible] product growth close to 3 per cent.

An improvement in some of Portugal's main markets, most notably the UK, should boost exports towards the end of this [illegible]. An expected gradual 2-3 per cent [illegible] of the escudo in 1994 against the currencies of the country's main trading partners will help make export prices more competitive.

The government [illegible] been maintaining a strong [illegible] since 1990. The [illegible]tral bank made expensive interven[illegible] to maintain [illegible] currency's parity during [illegible] foreign exchange [illegible] of [illegible], the escudo [illegible] by some 10 per cent last year against an average of European currencies. But now that inflationary pressures are more subdued and the currency has achieved stability within the [illegible] exchange [illegible] mechanism, the [illegible]tral bank is likely to adopt a less interventionist approach to exchange [illegible] policy.

Transfers of EU funds will almost certainly make the most important contribution to recovery in Portugal.



Prime Minister Cavaco Silva: His government has maintained a strong escudo since 1990

The country's Community Support Framework for 1994 to 1999 will benefit from Es3,500bn in subsidies from Brussels. "This is double the amount Portugal received from 1988 to 1993 and represents about 3 per cent of GDP a year," says Mr Rui Martins dos Santos, chief economist with Banco Portu[illegible] de Investimento.

Most [illegible] these [illegible] begin arriving this summer, will be channelled into transport [illegible]tures, telecommuni[illegible] industrial grants, mobilising [illegible] public and private [illegible] of [illegible] Es10,000bn over [illegible] six-year period. [illegible] for professional training will provide [illegible] least temporary occupation [illegible] some 50,000 workers.

Mr Catroga's other main instrument for fostering recovery will be interest rates. Portuguese industry has been heavily pen[illegible] by the high cost of money. After [illegible] fall of [illegible] percentage points in 1993, small and medium-sized companies were paying interest rates of [illegible] per cent for 30-day [illegible] the end of the year, [illegible] real rate of 9.5 per cent.

"Recovery requires [illegible] tion in the [illegible] corporate [illegible] that brings Portuguese interest rates much closer to those in other European countries," the minister says.

The central bank has already cut its liquidity absorption rate four times this [illegible] by a [illegible] 0.75 percentage points, signalling [illegible] reduction in short-term credit [illegible]. Further substantial reductions are expected through the year.

Mr Catroga has made clear that a reduction in interest rates can only be achieved against a background of budgetary control and wage restraint if inflation is to be kept in check. He is likely to be less successful with budgetary control [illegible] with [illegible].

Portugal succeeded in cutting its budget deficit from 12 per cent of [illegible] in 1984 to 4.7 per cent in 1992, but it soared to 8.2 per cent in the recessionary climate of 1993. Improvements [illegible] tax administration are urgently needed to boost public finances but even with progress in this direction the budget deficit is unlikely to fall much below the 1993 level either this year or in 1995, an election year.

Negotiations for a national wage pact for 1994 collapsed late last year, but the government has set a tough example for the private sector by keeping public administrative sector pay rises to 2.5 per cent.

Private sector workers fearful of unemployment, which is expected to grow from [illegible] per cent in 1993 to some 7.5 per cent this year, are likely to settle pay claims at below 4 per cent.

In this climate, [illegible] annual inflation should fall from 6.5 per cent in 1993 to [illegible] this [illegible]. But [illegible] expanding budget deficit could lead to a slight rise in inflation in 1995 to [illegible] 7 per cent.

"I have great confidence that Portuguese companies will grow more and more competitive," [illegible] Mr Catroga. He [illegible] that [illegible] will entail. Industrial production has been falling steadily since 1991. Achieving greater competitiveness through restructuring will [illegible] politically painful [illegible] involving company closures, large-scale [illegible] relocations.

Peter Wise

■ BANKING

More painful results likely

Portuguese [illegible] above [illegible] business [illegible] in [illegible] to produce overall profit growth of about 11 per cent. [illegible] delayed impact of the recession [illegible] likely [illegible] in [illegible] painful results.

Several [illegible] to produce a pessimistic [illegible] for [illegible] year. Industrial investment [illegible] contracting sharply, reducing [illegible] demand for credit. [illegible] competition for deposits [illegible] shrinking financial margins.

[illegible] was on the rise, demanding greater provisions. Pension funds required additional provisioning and [illegible] central [illegible] was about to demand contributions to [illegible] deposit guarantee fund.

In [illegible] event, profits not only [illegible] slightly more than in 1992 [illegible] the share prices of banks, which account [illegible] 65 per [illegible] of equity turnover [illegible] market, [illegible] rose by 53 per [illegible].

Part [illegible] the explanation for [illegible] buoyant [illegible] was [illegible] shift [illegible] intermediation as a source [illegible] earnings to commissions, [illegible] based [illegible] the cross-selling [illegible] products.

"Financial margins fell by [illegible] point in 1993 to 3.5-4 per cent. [illegible] the European [illegible] lower than margins in Spain, for example," [illegible] Pinto, president [illegible] Espirito [illegible] and [illegible] the Portuguese [illegible] Association.

"But in compensation, banks increased their commissions, equating [illegible] more closely with [illegible] costs." Supported by high margins, Portuguese [illegible] traditionally [illegible] commissions or levied charges at below cost.

Among [illegible] biggest [illegible] of income were trading in pub-

Banks reduced the maturity of their deposits

lic [illegible] and some lucrative foreign exchange operations during the currency crises that [illegible] the exchange [illegible] mechanism of [illegible] European Monetary System last year. [illegible] cross-selling of [illegible] products [illegible] became increasingly important.

"Banking is increasingly becoming a [illegible] business [illegible] than one based on [illegible] money," says Mr Joao Freixa, assistant general manager of Barclays Bank in Portugal. "Customers are looking for a wide range of financial products and discerning advice on how to [illegible] their [illegible] rather than just [illegible] place to deposit it."

Vaz Pinto: 'In [illegible], banks increased their [illegible]'

Banks [illegible] adjusted their [illegible] portfolios [illegible] of diminishing margins. They [illegible] long-term government debt, offering [illegible] of [illegible] 26 per [illegible] in [illegible], and into commercial [illegible], which [illegible] corporate borrowers with rates [illegible] points below traditional bank credit.

At the same time, banks [illegible] the [illegible] of their deposits, persuading customers into more profitable short-term deposits and away from anything with a longer maturity than six months.

Stringent cost-cutting programmes were implemented, successfully lowering the [illegible]tively high level of operational costs supported by most Portuguese banks. Except for a number of smaller banks fighting [illegible] share, most institutions [illegible] back the ambitious [illegible] programmes [illegible] characterised the [illegible] over recent [illegible].

[illegible] in [illegible] also helped improve efficiency.

The most surprising [illegible] contributing to bank [illegible] was a significant [illegible] in the amount of credit [illegible] customers, despite the depressive effect of the recession. Official [illegible] that credit grew by a sharp 17 per [illegible] during the [illegible] half [illegible] 1993 and is estimated to [illegible] risen by 10 per cent over the [illegible] year. Allowing [illegible] inflation, this represents [illegible] growth [illegible] 3.5 per cent.

Bankers offer several explanations. There was a substantial [illegible] in private loans. [illegible] credit, starting [illegible] virtually zero, exploded [illegible] year. [illegible] house-purchase credit [illegible] stimulated strong growth [illegible] mortgage loans. In addition, large corporations [illegible] borrow in foreign currencies from [illegible] banks [illegible] lower [illegible] to [illegible] financing from domestic [illegible] in hedge against [illegible] following [illegible] European currency crisis.

An [illegible] explanation is [illegible] some [illegible] deliberately renewed bad credit, capitalising the interest due into the new loans, to avoid provisioning against [illegible] bad debt. Mr Vaz Pinto believes this procedure had considerable impact on the growth of credit in 1993 and on the balance sheets of some banks.

But he says it is impossible to quantify the exact extent of such "window-dressing". Some banks are also [illegible] to have [illegible] bad [illegible] in their [illegible] in [illegible], where regulations on provisioning against [illegible] not apply.

"[illegible] regulations on provisioning for bad [illegible] not [illegible] in Portugal [illegible] in [illegible] European [illegible] banks [illegible] advantage [illegible] the [illegible] minimum provisions," [illegible] an [illegible] with a [illegible] bank. "[illegible] banks who have [illegible] bad [illegible] must [illegible] held responsible [illegible] failing [illegible] draw [illegible] provisioning."

Some banks eased the pressure on their balance sheets in 1993

A central bank spokesman said new regulations [illegible] provisioning for bad debt were being studied. He said the authorities were monitoring the question of refreshing bad loans but had found no cause for alarm. Portuguese banks are required to set aside the equivalent of 2 per cent of their total credit as general risk provision. The usual level in Europe is 1 per cent.

The total amount of bad debt in the Portuguese banking [illegible]tem [illegible] estimated to [illegible] the [illegible] of 1993 [illegible] than [illegible] in December, [illegible], an increase from about 7 per cent of total credit [illegible]. Bankers [illegible] agreed [illegible] situation will [illegible].

"The full impact of [illegible] resulting from a [illegible] not usually hit the [illegible] until one or [illegible] years later," said a Lisbon banker. "And provisions will have [illegible] for [illegible] bad debts that have been rolled over."

[illegible] banks [illegible] the pressure [illegible] their [illegible] by [illegible] the capitalisation of pension funds. They [illegible] saved [illegible] making contributions to a deposit guarantee [illegible], now likely [illegible] be created [illegible].

In [illegible] scenario, [illegible] bankers are [illegible] a significant [illegible] in [illegible] in 1994 despite the forecast upturn in the [illegible]. [illegible] market analysts say banks remain undervalued in comparison with industrial stocks and they forecast share price gains of 10 to 15 per cent for the banking sector this year.

Peter Wise

■ STOCK MARKET

Outlook for growth remains bright

B[redacted] through the gloom of [redacted] that has gripped Portugal for [redacted] past year, the performance of the stock market has shone like a beacon. While output fell and companies began reporting heavy losses, share prices [redacted] steadily and the outlook for [redacted] growth remains bright.

Investors – ignoring dwindling industrial profits and fears that shrinking margins and bad [redacted] would hit [redacted] – turned [redacted] the [redacted] market in ever-increasing numbers as [redacted] attractive alternative to bank deposits, the traditional home of Portuguese savings.

"Liquidity [redacted] clearly driving [redacted] market," [redacted] Mr Joaquim Luiz Gomes, [redacted] analyst with independent [redacted] Midas Investimento. "Institutional [redacted] private investors [redacted] attributing [redacted] and more weight in their portfolios to equity [redacted] the returns are [redacted] attractive."

Term deposit [redacted] fell from 15 per cent to about 7 per cent in 1993 and many banks are simply refusing longer-term [redacted] of the minimal earnings they offer. Bond [redacted] have [redacted] dropped sharply, with interest on one-year bonds, for example, shrinking from 19 per cent to [redacted] over the [redacted]. [redacted] compare with earnings of about 20 per cent offered by share investment funds.

Growing interest in shares drove up the [redacted] Totta e [redacted] (BTA) [redacted] by 59.6 per cent in 1993 to 2,614. Prices have continued to rise steadily this year, with the BTA index growing 19.6 per cent to 3,126.8 on February [redacted]. The few market operators who will be drawn into a forecast predict share prices will rise between 20 and 30 per cent in 1994.

They are also agreed that a price correction is almost inevitable. "If share prices continue to climb over [redacted] months it is very likely there will be a spell of profit-taking that will set the index back," [redacted] Mr [redacted] Cunningham, a [redacted] partner with [redacted] Arthur Andersen.

The market can not depend on liquidity alone if it wants to maintain solid growth. "There will eventually [redacted] adherence [redacted] reality," [redacted] Mr [redacted]. "Many industrial shares currently have a price-earnings [redacted] of [redacted] will soon want to [redacted] profit [redacted] of 20 per cent or [redacted] as a [redacted] for that ratio."

Trading [redacted] on the [redacted] exchange rose by 97 per cent to Es2,849bn in 1993 while the value of the market more than [redacted]. [redacted] trading accounted for 85 per cent of total volume compared with 81 per cent in 1992. Public debt bonds represented 95 per cent of bond trading, [redacted] by the [redacted] year of 10 treasury bonds to the continuous [redacted] trading system.

Trading in [redacted] for 15 per cent of [redacted] compared with 18 per cent in 1992. [redacted] trading [redacted] rose 56 per cent to Es417.9bn. The [redacted] companies quoted [redacted] market capitalisation of Es2,193bn in December, 1993 compared with Es1,431bn a year earlier.

In a market where foreign [redacted] have traditionally [redacted] buying [redacted] selling trends, [redacted] investors are now beginning to dominate. In particular, Portuguese [redacted] seeking [redacted] products as alternatives to traditional loans and deposits – where [redacted] margins are shrinking – have [redacted] of mutual, pension and [redacted] investment funds.

In September 1993, 109 investment funds, 14 of them foreign, were operating in Portugal, with Es1,500bn under their management. The [redacted] fund, with a market share of 29 per cent, is CaixaGest, run by Caixa Geral de Depositos, the state-owned savings bank and Portugal's largest financial institution. Bond funds represented 71 per cent of the total and share applications only 2.9 per cent. But the funds are gradually increasing their equity weightings and even a 1 per cent change can make an impact on the [redacted].

"[redacted] used to [redacted] directly on the [redacted] market as if they were playing roulette," says Mr Jose Cardoso de [redacted], director of marketing and organisation [redacted] the Lisbon [redacted]. "Now they are entrusting [redacted] funds who do the job in a much [redacted] professional way."

In [redacted] falling interest rates, [redacted] in the [redacted] market has been spurred by the official listing of Portugal on emerging market indexes such as the IFC. This has attracted new investment [redacted] emerging [redacted] funds launched mainly in the US and the UK.

[redacted] in Portugal has [redacted] stimulated by [redacted] operational and [redacted] including the adoption of a [redacted] trading system, a computerised [redacted] registration [redacted] and a new administrative [redacted] that governs insider trading, company disclosures rules and other areas.

[redacted] reforms could be taken an important [redacted] further this year following a proposal by the [redacted] exchange commission (CMVM) for a restructuring of the [redacted] country's two bourses as part of plans to create a futures and options market. The CMVM [redacted] to reconcile opposing bids by the rival Lisbon and Oporto [redacted] a national derivatives exchange, a [redacted] considered fundamental for the development of Portugal's capital market.

Mr Fernando [redacted] Lima, CMVM president, [redacted] commission [redacted] replacing the [redacted] market in Oporto with a [redacted] and options exchange and developing a national [redacted] market in Lisbon.

The Lisbon and Oporto bourses currently compete [redacted] spot [redacted] although 69 of the most liquid shares are quoted on a national continuous market for which Lisbon and Oporto act as separate trading [redacted]. The daily volume of share trading in the continuous market is [redacted].

[redacted] year, the two exchanges presented rival projects for setting up a futures and options market. But Mr Costa Lima [redacted] the two bourses to overcome their differences and co-operate in building one national [redacted] for spot and derivative operations. This would end competition between Lisbon and Oporto for the [redacted] small market.

Peter Wise

Trading floor of the Oporto bourse: investors turned to the stock market in increasing numbers

■ INSURANCE INDUSTRY

Big portfolio clean-up ahead

As they [redacted] up for the single European market, Portugal's insurance companies have understood that they can no longer rely on profits from [redacted] while neglecting their [redacted] business, which is selling [redacted] policies. However, adjustments have only just begun, and the real cleaning up of portfolios and [redacted] for this year.

Despite the current recession, provisional [redacted] indicate [redacted] insurers 1993 [redacted] less [redacted] than the previous year. But [redacted] are still a far cry from [redacted] the companies [redacted] have [redacted] for.

According to an [redacted] by the [redacted] of Portuguese Insurers (APS), the sector [redacted] about Es530bn [redacted] of premiums in 1993. This means it still grew by 22.2 per cent and, if the drop in inflation is [redacted] into account, the [redacted] increase was [redacted] per cent.

Car and [redacted] insurances, which represent [redacted] half of all premiums, [redacted] heel of the market. But judging by last year's development, the car division should soon see better days. APS [redacted] companies managed [redacted] to [redacted] Es10.5bn in 1993, half of [redacted] total. Things [redacted] gloomier in work accidents, where [redacted] may have been as high as Es11.5bn, some [redacted] more than a [redacted].

Following an [redacted] for market [redacted] which led to [redacted] 1992 results, Portuguese [redacted] companies finally began introducing [redacted] in 1993. The process is likely to be intensified in 1994.

Analysts [redacted] that decision-making in many companies is still guided by [redacted] inertia and that growth at any [redacted] but at the expense of profitability and solidity remained the main tendency in 1993.

This view is not shared, however, by Mr Ruy de Carvalho, president of the APS. He points out that the very reason why many companies registered only little growth last year was exactly because they began cleaning up their portfolios, adjusting their [redacted] policy, and adapting prices to Portuguese reality.

As a [redacted] and because of the introduction of a new invalidity chart, [redacted] for work accident [redacted] are expected to increase by 30 per cent or more this year. In the car sector prices are expected to rise by about 15 per cent.

The development in life insurances, which account for [redacted] per cent of premiums, followed two different paths. Individual [redacted] growth [redacted] from [redacted] per cent in 1992 to 38 per cent last year. In voluntary [redacted] life insurance, on the other hand, the [redacted] of growth, from [redacted] per cent in 1992 to 18.7 per cent.

There is disagreement among Portuguese companies [redacted] there will be increased competition from companies not yet [redacted] in Portugal [redacted] the single European [redacted] for the insurance [redacted] in July, when the third generation directive granting full [redacted] services are applied.

[redacted] companies say that little will change [redacted] international companies are already operating here. Others think the new directive would lead to considerable losses for Portuguese [redacted].

Mr de Carvalho says the Portuguese market is well prepared from a legal point of view. [redacted] different in practice: "Portuguese companies, even the big [redacted], are medium-sized in European terms. This shows how difficult it is for us to compete successfully in a [redacted] that will be extremely open."

Mr de Carvalho believes that companies will have to improve their [redacted] or call in [redacted] specialists. He also thinks that big transformations will [redacted] place among the many small companies [redacted] quota of less than 1 per cent. Mr de Carvalho expects [redacted] and what he calls "a passive internationalisation"; that is, companies opening up their capital to foreign companies.

While raising tariffs, insurance companies are also trying to improve [redacted] and [redacted]. According to APS, [redacted] insurance companies [redacted] Es7bn in computerisation in 1992 (figures for 1993 are not yet available) and [redacted] by 5 per cent in 1993.

Due to expensive settlements for early retirement and redundancy payments, the effects of these efforts have not yet made [redacted] on the [redacted]. But they are seen as an investment in the future.

[redacted] are still very high, considering that they represent 25 per cent of premiums sold – about [redacted] the EU-average.

A working group comprising representatives of the finance ministry, insurance companies, banks, the [redacted] market and investment funds [redacted] for two years the problems of Portugal's financial sector. While the resulting white paper for the banking sector has already been published, insurance companies are still awaiting publication of the section on their business. Parts of it have [redacted] but [redacted] an agreement to remain silent, companies are reluctant [redacted] comment [redacted] it. The "livro branco" – basically a code of [redacted] for Portuguese insurance companies in the large EU-market – [redacted] an analysis of the Portuguese market and its capacity to modernise, as well as [redacted] on subjects [redacted] as pension funds, supervision and [redacted] regulations.

One thorny matter that [redacted] to be resolved is that of [redacted]. For many companies, this area is [redacted] with potential problems.

Health insurance currently [redacted] only [redacted] per cent of premiums and is loss-making. A government proposal for a [redacted] scheme, [redacted] provide an alternative to the national [redacted] service, has found [redacted] favour with insurers. From the very beginning, *companies objected to* the government's [redacted] of exclusiveness, saying that in a country [redacted] as Portugal only a complementary scheme could work; a combination of private and public [redacted].

APS [redacted] those with [redacted] might well opt for private health insurance only, but that such a solution should not be imposed by law.

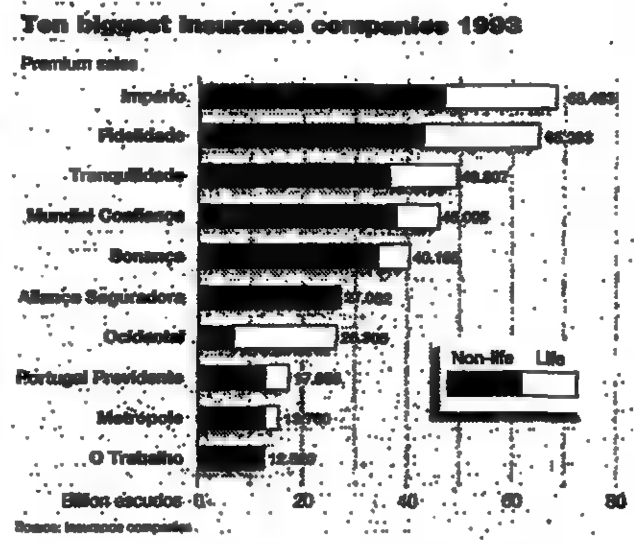
Another concern is that [redacted] in the health sector are soaring, only companies should be allowed to [redacted] the prices for such insurances. Finally, the market [redacted] life-long policies.

Mr de Carvalho concedes that the government has moved [redacted] to the insurers' [redacted]. He adds that the sector is now hoping for [redacted] sympathy from the new health minister, Mr Paulo Mendo, who took office last December.

"We are [redacted] in finding a good solution", he says. "But insurance companies [redacted] accept a scheme [redacted] *to exactly* [redacted] problems the national [redacted] service is suffering. We do [redacted] have a [redacted] budget behind us, [redacted] can we rely on [redacted] other EU countries for financial help."

Susanne Rindlisbacher

Carvalho believes companies will have to improve technical skills



■ FOREIGN INVESTMENT

Results still awaited

Portugal's Ministry for [redacted] and [redacted] is in a [redacted] about last year's foreign investment. Results are still awaiting [redacted] publication, but all [redacted] a drop [redacted] more than 50 per cent compared to 1992.

To make things worse, most large contractual projects will not meet production and export levels agreed with the government. Lisbon is trying to reverse the downward tendency by simplifying legal procedures and establishing more direct contacts with potential [redacted].

"Really very bad", is the only comment from the ministry, while 1993's figures for direct foreign investment remain tucked away in a drawer. A spokesman says the drop from 1992's $4.375bn is "tremendous" and amounts to more than 50 per cent. The most recent official figure published by the Bank of Portugal is Es111.7bn for the first seven months of 1993; about half the total for the same period in the previous year. The first signs of flagging interest emerged in 1992 – when direct foreign investment suffered a 26 per cent drop compared to 1991.

In addition, estimates of what impact the seven big contractual [redacted] negotiated with the Portuguese government between 1989 and 1992 will have on the country's economy, need to be revised. Until recently, the government hailed [redacted] projects as stepping stones for an out-of-date industry on its [redacted] the 21st century. They would bring modern technology and know-how to Portugal; create many new jobs and make a huge contribution to Portugal's export statistics.

[redacted] height of euphoria was [redacted] in [redacted] the government signed a [redacted] with [redacted] Volkswagen whose giant joint venture, AutoEuropa, will produce a multi-purpose [redacted] Palmela, south of Lisbon.

A study carried out last year by ICEP, the body that promotes investment, trade and tourism in Portugal, said that once they started production in 1995, these projects could represent 20-30 per cent of exports and between 2 and 3 per cent of gross domestic product growth.

Last December, the Bank of Portugal published an article, saying that GDP growth could reach 8-9 per cent when in 1995, if ICEP's figures were correct and the aims established in the investment contracts were met. But this scenario is turning out to be highly unrealistic because most of the "seven giants" – which together were expected to reach production worth Es1,000bn and exports of Es926bn by the year 2000 – will have to readjust their projections.

ICEP confirmed reports that the contractual projects were facing problems.

One of the seven, the tyre manufacturer Continental-Mabor, has already reached agreement with the government to extend by three years [until 2003] the date for reaching the targets originally agreed.

Two others – General Motors' [redacted] Remi, [redacted] produces electronic components, and the [redacted] petrochemical [redacted] – [redacted] negotiating [redacted] of [redacted] estimates.

The four remaining companies say they cannot possibly [redacted] their objectives, mainly because of the international recession. Neste, [redacted] manufacturer CofapEuropa, and Pepsico's potato chips factory Laprovar are halving their export targets. AutoEuropa and the car radio manufacturer Ford Electronica are not publishing their [redacted] estimate, saying production will depend on the market situation.

Despite the unfavourable circumstances, [redacted] Miguel Athayde [redacted], ICEP president, [redacted] 1994 with some optimism: "Interest [redacted] big foreign multinationals who visit us and ask for information has increased so we expect lively economic activity".

> **ICEP itself intends to play a more active role in future**

Portugal continues to present itself as an attractive place for foreign investors, with low wages and overall costs, good productivity levels, favourable European [redacted] incentives, rapidly-expanding [redacted] and [redacted] infrastructures, and a [redacted] political [redacted] the EU, the country [redacted] is a gateway [redacted] the European market.

ICEP itself intends to play a more active role in future and is working on a new strategy to capture investors.

[redacted] will [redacted] bolstered by a new law on foreign investment, aimed at simplifying the [redacted] and expected [redacted] effect this year. New rules for registering projects will [redacted] established and the quality of information on investment possibilities is to be improved.

By granting attractive incentives, [redacted] government [redacted] mainly trying [redacted] involving new technologies, particularly those in areas with high [redacted]ployment. However, [redacted] the first [redacted] months of 1993 show [redacted] and other [redacted] institutions, as well as real estate [redacted] services [redacted] to be favoured, absorbing almost 70 per cent of direct foreign investment.

In industry, the AutoEuropa project is still managing to [redacted] new suppliers to [redacted] Setubal region. One [redacted] them is [redacted] Allibert company, [redacted] a Es11bn investment [redacted] with the government at the end of last year and is to create about 660 jobs.

[redacted] projects in [redacted] country's interior region include [redacted] Dutch [redacted] in Ansiao. One will produce [redacted] cigars [redacted] chocolates; the other will make panels for metal insulation. [redacted] investment for [redacted] projects is just under Es700m, and [redacted] 60 [redacted] jobs will be [redacted].

Investment opportunities will also [redacted] in infrastructure development.

In telecommunications, the Portuguese government [redacted] negotiating with ICL [redacted] its parent company, Japan's Fujitsu, [redacted] the [redacted]struction of a factory for systems [redacted] the management of telephone [redacted] and high-speed optical [redacted] amplifiers involv[redacted] an [redacted]. Talks are centering on incentives, which [redacted] come from the government and EU funds.

A [redacted] of [redacted] international [redacted] will [redacted] the [redacted] for construction [redacted] will be the country's largest dam, at [redacted] Coa in northern Portugal, is [redacted] pending. This hydroelectric project involves [redacted] estimated investment [redacted] Es43bn.

But not everyone [redacted] happy about international investors coming [redacted] Portugal. National construction companies have protested [redacted] a foreign [redacted] may win the [redacted]tract [redacted] construct a natural [redacted] pipeline between Setubal, south of Lisbon, and [redacted] north[redacted] *town* [redacted] *Braga.*

They maintain that this Es40bn project [redacted] remain "national", especially because it [redacted] require particularly sophisticated construction techniques.

Susanne Rindlisbacher

■ MADEIRA OFFSHORE CENTRE

Attractive advantages

Madeira, [redacted] in the Atlantic [redacted] off Casablanca and on the [redacted] latitude as Bermuda, has been providing a haven of warmth and tranquility [redacted] North Euro[redacted] since [redacted] British aristocracy [redacted] the island [redacted] fashionable winter [redacted] in the mid-18th century.

Today, tourism remains the mainstay of the island's economy, accounting for more than 12 per [redacted] Madeira's [redacted] regional product. But tourism has recently [redacted] joined by another, equally successful [redacted] income: [redacted] dynamic offshore development known as [redacted] Madeira International [redacted] (IBC).

Established with the help [redacted] the Euro[redacted] Union to stimulate development, the IBC offers [redacted] both [redacted] membership and [redacted]. Covering the full [redacted] offshore services, Madeira provides [redacted] free-trade industrial zone, a financial centre, international [redacted]vices and a shipping register, [redacted] benefiting from [redacted] duty exemptions.

The IBC was conceived [redacted] a special incentive, on top [redacted] support from EU structural funds. [redacted] help [redacted] island bridge the development [redacted] separating [redacted] from the rest of western Europe. "[redacted] of other peripheral EU regions [redacted] grants alone [redacted] simply [redacted] enough to [redacted] the disadvantages [redacted] insularity," [redacted] Mr Jorge Veiga Franca, [redacted] director [redacted] Madeira Development Company (SDM), [redacted] centre.

This stimulus to Madeira's economy [redacted] attractive advantages for [redacted] legislation on the [redacted] approved [redacted] 1986, [redacted] 1,200 [redacted]nies have set up in the IBC: 38 manufacturers are operating in the free-trade zone; [redacted] companies, mostly bank branches, have registered with [redacted] centre; and [redacted] listed on [redacted] shipping register, [redacted] as MAR. The [redacted] doing [redacted].

[redacted] full integration [redacted] EU is an important [redacted]. Companies operating [redacted] benefit [redacted] free circulation of goods, services and rights of establishment within the Community [redacted] guaranteed [redacted] all EU enterprises. All [redacted] materials and components imported into the [redacted] free-trade zone are exempt from [redacted] duties. [redacted] are levied only on raw materials [redacted] incorporated [redacted] finished products exported [redacted] EU.

Companies enjoy [redacted] exemption [redacted] taxes on profits and capital gains until the end of [redacted] year 2011. [redacted] are confi[redacted] the rate will subsequently be [redacted] to only 5 or [redacted] per [redacted] benefit from [redacted], including free [redacted] capital and profits, free [redacted] funds used in commercial operations [redacted] freedom to import capital.

IBC officials [redacted] they have an impor[redacted] over [redacted] offshore [redacted]

Madeira's IBC offers investors the benefits of EU membership and a zero tax rate Picture: Mike Amon

because Madeira is an integrated part of Portugal, not [redacted] in [redacted] economic or legislative terms. Companies setting up there enjoy the same guarantees of credibility as they would in mainland Portugal. Maintaining this image is a priority. "[redacted] would prefer 10 [redacted] companies [redacted] 100 [redacted] ones," [redacted] Mr Francisco Costa, chairman of SDM and [redacted] of the IBC.

[redacted] regional government opted [redacted] negotiate a concession agreement with SDM so that the IBC would be run by a private company [redacted] speaks the same business language as investors. [redacted] made to cut red tape to a minimum, with a special public deeds office set [redacted] to ease formalities.

However, the IBC acknowledges that ship [redacted] have recently encountered delays [redacted] registering vessels [redacted] MAR because [redacted] by a [redacted] commission appointed by the regional [redacted] governments. "This [redacted]cratic issue that we expect to clear up very shortly," [redacted] IBC spokesman.

On [redacted] more positive note, recently approved regulations make [redacted] shipping register considerably [redacted] than [redacted]. To register, half a ship's [redacted] and its captain must [redacted] of EU nationalities where previous legislation stipulated that the same proportion of the crew [redacted] Portuguese. [redacted] now [redacted] country whose [redacted] they want to govern the mortgage of their vessel. [redacted] also now eligible.

So far, the financial centre of the IBC has predominantly attracted Portuguese [redacted] Madeira [redacted] can provide all the [redacted] an overseas branch without the heavy costs of establishing a [redacted]. Several important foreign banks have followed suit and legislation approved in January [redacted] make the financial centre attractive to a wider range of companies.

The new law makes it possible for financial companies to set up subsidiaries in Madeira [redacted] they were previously limited to opening branches. "This measure will broaden the appeal of the IBC," says Mr William Cunningham, a Lisbon-based partner with [redacted] Arthur [redacted]sen. "There was little incentive for a foreign [redacted] institution to [redacted] a branch in Madeira if it was going to be taxed on the earnings of that branch in its home country. [redacted] be avoided by creating a subsidiary."

The institutions now allowed to set up subsidiaries in Madeira's financial centre include banks, investment societies, leasing, factoring and higher-purchase companies, stock brokers, dealers, investment fund managers, credit card issuers, asset management, regional development, venture capital and group purchasing companies, exchange bureaux, insurance and reinsurance companies and pension funds.

The new legislation also allows banks to [redacted] up international, [redacted] as well as offshore branches. Offshore branches may only do business [redacted] in Portugal or other companies in the IBC. [redacted] ability [redacted] international [redacted] in Madeira can do [redacted] with Portuguese companies. They will be subjected to normal Portuguese tax laws, except that they will be able to accept deposits from non-residents in Portugal without having to withhold a 20 per cent tax on the interest paid on the deposits.

"Previously banks in the Madeira offshore centre were completely fenced off from doing business with mainland companies," says Mr Cunningham. "The new measure means that Portuguese banks that set up international rather than offshore branches in Madeira will be able to raise money more cheaply than in Portugal for lending on to their clients on the [redacted]."

Peter Wise

■ PRIVATISATION

New team attempts to generate fresh impetus

[redacted] new team led [redacted] Mr Eduardo Catroga, finance minister, [redacted] attempting to give [redacted] fresh impetus [redacted] Portugal's five-year-old privatisation programme, recently one [redacted] centre-right government's least successful [redacted].

[redacted] buyers snapped up companies on [redacted] in the [redacted] sector, [redacted] priva[redacted] launched [redacted] year [redacted].

Mr Antonio [redacted] tary [redacted] for finance [redacted] took [redacted] last December, said [redacted] his main priorities [redacted] lift limits for foreigners; [redacted] shares; and a [redacted] with [redacted] privatisation [redacted] month.

The [redacted] was the planned joint [redacted] of the [redacted] companies Secil-Ci[redacted] (CMP), for [redacted] govern[redacted] received no [redacted].

In [redacted] the [redacted] *Siderurgia* [redacted] and Banco [redacted] & [redacted] Mayor [redacted], the government rejected the offers, one in [redacted] low. This [redacted] received [redacted] Es70bn from privatisa[redacted] in [redacted], instead [redacted] budgeted Es175bn, already [redacted] the original [redacted].

Up [redacted] 60 [redacted] of receipts from privatisations may be injected into companies still state-held, [redacted] per [redacted] of receipts are [redacted] reducing [redacted] public debt. Mr [redacted] privatisations [redacted] year will yield [redacted] anticipated in [redacted] budget presented by Mr Jorge Braga [redacted] Macedo, the [redacted] minister.

Mr [redacted] says [redacted] limits for foreigners in any [redacted] carried out during this [redacted] in office, [redacted] ends in [redacted] half [redacted] 1995. The failed sale [redacted] BPSM, [redacted] public [redacted] was in [redacted] the [redacted] and [redacted] same applies for [redacted] Secil-CMP, which was [redacted] this [redacted].

Mr de Sousa denies [redacted] this new approach [redacted] the result [redacted] from [redacted] European Commission. Portugal has [redacted] under [redacted] legal action [redacted] Brussels for alleged violation of [redacted] European Union's provisions [redacted] the free movement of capital. Mr de [redacted], however, [redacted] yet in [redacted] Portugal launched [redacted] privatisation programme in 1989 [redacted] that, in [redacted] the main disagreement with Brussels is not over first, but second sales.

Portugal [redacted] always maintained [redacted] its [redacted] privatisations were intended to restructure national economic groups, which had suffered "an abrupt break in historic evolution" [redacted] Mr [redacted] Sousa put it, [redacted] they [redacted] nationalised [redacted].

In January, [redacted] government announced it was raising the limit for foreigners in second sales of privatised companies [redacted] and 20 [redacted] per cent, unless [redacted] higher [redacted] in [redacted] original [redacted].

"We [redacted] probably be able [redacted] increase [redacted] limit [redacted] little more – [redacted] 35 [redacted] Mr [redacted] Sousa, adding [redacted] case will [redacted] judged [redacted]vidually, depending [redacted] whether the companies have had enough time [redacted]uring.

Mr de Sousa's other pledge is to ensure a wider distribution of shares. "This isn't so much [redacted] change [redacted] philosophy", he says, "but [redacted] of [redacted] practical change to [redacted] applied in [redacted] upcoming privatisations, which is also conditioned by the type [redacted] companies involved."

Mr [redacted] Sousa says [redacted]ishing limits [redacted] foreigners, which [redacted] large [redacted] will not [redacted] the idea [redacted] widening distribution. He [redacted] distribution should [redacted] ensured by the [redacted] the company in question rather [redacted] by legislation.

"There should [redacted] clauses compatible with company law, such as limiting voting power," he says. "The change in the statutes will most probably be introduced at the beginning of the privatisation process."

However, wider distribution also implies abandoning one of the government's original concepts, which was to strengthen national groups.

"We have to [redacted] realistic [redacted] the capital [redacted] and [redacted] capacity [redacted] Portu[redacted] groups", [redacted] Sousa concedes.

The next privatisation has already been launched and at least four more are planned for the first half of this year

[redacted], however, plans [redacted] national control in strategic sectors, such [redacted] and telecommunications, either by maintaining a majority [redacted] percentage guar[redacted] golden [redacted].

[redacted] to be [redacted] changes [redacted] of privatisation applied [redacted]tion, the government will [redacted] whether it [redacted] be through negotiation, stock exchange auction, or public [redacted].

The next privatisation, the second attempt at selling the state's shares in Secil-CMP, has already been launched, and at least four more are planned for the first half of this year. Mr de Sousa says the first 25 per cent of Portugal's largest cement company, Cimpor, will be sold off "before summer" in an stock exchange auction with no indivisible block. Ultimately, [redacted] government plans [redacted] sell a majority and retain [redacted].

[redacted] second [redacted] at privatising Banco Pinto & Sotto Mayor will also be made. The 7.5 per [redacted] Banco Portugues [redacted] (BPA) earmarked [redacted] foreigners [redacted] be sold in April, [redacted] this semester [redacted] also [redacted] to [redacted] the sale of another segment of the national bus network, Rodoviaria [redacted] (RN). [redacted] remaining sections [redacted] likely [redacted] privatised [redacted] the end [redacted] the year.

There will also be an indirect partial privatisation of [redacted] Fomento Exterior through Cimpor's [redacted] per [redacted] holding in the bank, and Mr de [redacted] that the privatisation of BFE could [redacted] further at [redacted] later stage.

There [redacted] certainty for [redacted] year in the attractive [redacted] communications sector. The [redacted] of state-held companies [redacted] de Lis[redacted] e Porto (TLP) which, [redacted] them, operate telephone links in Portugal, Europe and the Mediterranean, as well [redacted] Teledifusao Portuguesa (TDP), which bea[redacted] television signals [redacted] Portugal, [redacted] place first. No deci[redacted] taken yet on [redacted] possible integration of the [redacted] operator Marconi, which [redacted] only 51 per cent state-held.

Problems involving three complicated cases [redacted] still being resolved. The much-restructured Siderurgia Nacional [redacted] in [redacted] process [redacted] being [redacted]sessed, [redacted] for Mr [redacted] Sousa [redacted] clear that any further restructuring will have [redacted] carried [redacted] by [redacted] buyers.

In [redacted] case of [redacted] giant Petrogal, [redacted] government [redacted] negotiating [redacted] Petrocontrol, a consortium comprising domestic investors [redacted] of France.

The group bought 25 per [redacted] in 1992, but is refusing [redacted] fulfil [redacted] obligation [redacted] acquire a fur[redacted] per [redacted] within [redacted], [redacted] the goverument injects funds.

Although Mr de [redacted] is confident [redacted] upcoming privatisations will prove attractive, the [redacted] difficulties [redacted] that the [redacted] find it [redacted] of reducing [redacted] weight of [redacted] in the [redacted] economy by half, to 8.5 per cent, during the [redacted] legislature.

Peter Miles

TECHNOLOGY

Tom Foremski explores an alternative to virtual reality technology with vivid results

Waking up to dream control

As [redacted] computer companies strive to develop virtual reality systems, researchers in California are work[redacted] technologies that allow people [redacted] tap into the virtual (or sub-conscious) reality [redacted] their heads – namely, dreams.

The Lucidity Institute, [redacted] private organisation founded in 1988 by Stephen LaBerge, a Stanford University researcher, has developed computer-based electronic devices and [redacted] that [redacted] people how to experience lucid [redacted]. In these, the dreamers are [redacted] their dreams; they can [redacted]ticipate consciously in them and [redacted] them [redacted] specific objectives.

The methods developed by the [redacted] promise users such [redacted]bilities as indulging in adventures and fantasies, refining skills, finding solutions to difficult problems, overcoming nightmares and discovering methods of healing.

[redacted] have [redacted] lucid dreams [redacted] difficult [redacted]tations, [redacted] have practised complex procedures, [redacted] classical musicians have rehearsed difficult [redacted]. In [redacted], the skills perfected in the [redacted] dream have been [redacted] to [redacted] waking state.

There are also important [redacted]peutic applications. Physically handicapped [redacted] can regain total mobility within [redacted] lucid dream state, and [redacted] indications that lucid dreams can help [redacted] body's immune response and increase the rate of healing.

As yet, though, evidence of lucid [redacted] *impact is anecdotal.* [redacted] researchers are sceptical [redacted] their [redacted]. Also, some psychother[redacted] to [redacted] neuroses [redacted] unhappy [redacted] dreams, regarding them as an inter[redacted] with [redacted] sub-conscious.

Lucid dreams certainly [redacted] more effective virtual reality than is achieved by computer systems. In computer-based virtual reality, the user interacts with a computer-gen[redacted] world by wearing [redacted] containing tiny computer screens and [redacted] special electronic glove that [redacted] hand [redacted]. [redacted] systems have a long way to go in *mimicking waking reality; the computer graphics* [redacted] and the [redacted] are [redacted] and very expensive. But [redacted] reality of dreams, the [redacted] experiences [redacted] indistinguishable from waking reality. [redacted] happen spontaneously, they [redacted] fairly [redacted] most people. This is why researchers [redacted] the institute [redacted] on developing [redacted] that help [redacted] lucid [redacted] on [redacted] regular basis.

The most sophisticated [redacted] called the DreamLight. This is a *small computer about the size of a* hardback book with a one-line liquid crystal display and four control buttons. It is attached via a wire to [redacted] lightweight sleep mask worn by the user. Sensors in the mask detect body and eye movements and contain two tiny lights. When the DreamLight detects rapid eye movements and no body movements, it knows that the user is dreaming. It will then flash the lights in the sleep mask in a specific sequence.

In the dream, the DreamLight user sees the flashing lights incorporated in some way, such as the *sun rising and setting, or car head*lights flashing. [redacted] flashing lights act as a signal to the dreamer that he or she is experiencing a dream. By maintaining a balance between staying within the dream and not waking, the dreamer can experience a lucid dream lasting up to 45 minutes or more.

LaBerge is also a co-founder of [redacted] University Sleep [redacted] Center, [redacted] large research centres into sleep and dreams. He and his colleagues began developing the DreamLight technology in 1985.

"The [redacted] prototype [redacted] film," [redacted] LaBerge. But despite [redacted] nature, experiments showed that it worked well.

The institute further refined this technology and now offers not only the $1,200 (£822) DreamLight but also a less expensive version, the $275 NovaDreamer.

"The NovaDreamer has the potential to reach [redacted] very large market and help introduce large numbers of people to lucid dreaming." [redacted] Craig Webb, one of the NovaDreamer devel[redacted].

Webb [redacted] the [redacted] looking [redacted] and [redacted] technology [redacted] large potential market. [redacted] technology [redacted] widespread applications – [redacted] storage capacity, up [redacted] 10 days, of [redacted] subject's [redacted] cycles [redacted] help [redacted] sleep [redacted] without requiring lengthy [redacted] expensive [redacted] sleep laboratories. [redacted] also [redacted] programmed [redacted] sound an alarm during or before a [redacted] – [redacted] treating [redacted] *with recurring nightmares.*

'I marvel at how real the experience of flying is'

"I'm in an unfamiliar living room with a large glass sliding door looking out on to a garden. I notice [redacted] brilliant flash of light and I'm struck by the thought that it is the flash of [redacted] nuclear explosion. I quickly run behind a large sofa to protect myself from the coming shock wave of the blast.

"I suddenly realise that the flash of light may be from the DreamLight mask and so this must be a dream! I walk outside into the garden and try to fly. It's a little awkward at first, but then I slowly rise. I marvel at how real this experience of flying is. It's an exhilarating feeling flying over the roof tops of surrounding houses. I fly into [redacted] forest and notice the deep yellow sunlight filtering through the dark green foliage of the trees. I begin to lose the dream and wake up."

This was a lucid dream this writer had using the DreamLight system. While the DreamLight helps to achieve lucid dream states, some preparation is required.

First, dream recall must be increased. Some people claim never to dream, but this is not true. Everyone has about four to seven dreams per night, but not everyone remembers their dreams. It is possible to have lucid dreams and to be unaware of the experience because dream recall is poor or non-existent.

Improving dream recall is achieved by keeping a journal of dreams. Upon waking, the dream should be be written down, even if it is just a momentary fragment. Waiting even just [redacted] few minutes to record a dream often results in forgetting its details completely.

LaBerge discovered that since dream reality is so convincing, a reality check must be made to answer the question: "Is this a dream?". Thus when [redacted] users notice ordinary flashing lights during the day, they should ask themselves this question.

"A reality check involves finding some writing, like on a banknote or a book page. You read a couple of words, then look away. In a dream, the words will have changed when you look at them again," says LaBerge. "For some reason, while the dreaming human brain can model reality so convincingly, it cannot maintain consistency with printed or written words."

The DreamLight functions must also be adjusted for each user. Some DreamLight users report that it is uncomfortable to wear the sleep mask and that the flashing light wakes them. Other users say that they sleep through the flashing lights and fail to see the signal.

But overall, experiments have shown that the DreamLight, when used with supporting mental exercises, helps increase the number of lucid dreams by as much as 500 per cent.

Technically Speaking

Africa's need to keep in touch

By Emmanuel Ohajah

"To communicate with my [redacted] Joyce in [redacted] Carolina is simple. I can telephone from a public call box using a plastic card. I can send her a fax. When I was a student, I would use electronic mail.

Soon, I will be able to talk to Joyce face-to-face, using the latest in video-conferencing systems. We can share access to current real-time and on-line communication systems, such as Internet.

To communicate with Esi, my [redacted] in Lagos, [redacted] much harder. Although Nigeria [redacted] one of the [redacted] African nations, communicating [redacted] difficult. [redacted] cosmopolitan places [redacted] problems. In April [redacted] phone service connecting [redacted] Ivory Coast, Nigeria and Europe [redacted] for nearly a [redacted].

In fact, [redacted] I try to [redacted] my Nigerian [redacted] Nigeria, [redacted] many developing countries, [redacted] new [redacted].

Along with [redacted] west, I enjoy [redacted] communications technology. Most Nigerians, however, [redacted] easy access to a telephone or computer – [redacted] mind [redacted] infrastructure of a [redacted] global communication [redacted] for granted. In Africa, [redacted] are expensive [redacted].

Cheap local [redacted] important [redacted] while international rates, although pricey, are within the [redacted] people. [redacted]parison, local calls in most African countries are expensive.

The other building [redacted] today's information technology (IT) revolution [redacted] the personal computer. The PC is [redacted] window to [redacted] modern communications world; but it is difficult to talk of [redacted] "personal" [redacted] in the African context. For example, Zimbabwe, [redacted] relatively developed African country, [redacted] only [redacted] microcomputers. In Zambia, [redacted] PC [redacted] cost [redacted] years' wages.

The 1993 edition of *Telegeography*, which [redacted] communications around the world, reveals their [redacted] global distribution. Tunisia [redacted] the only Internet host computer in [redacted] (excluding South Africa). In the entire African continent, only [redacted] Africa appears under *Telegeography's* national telecommunication indicators. The [redacted] of Africa [redacted] lacking in telephone lines, Internet [redacted] computers, mobile phones [redacted] that it [redacted].

At a time when IT [redacted] becoming integral [redacted] area of western society, there is a danger that [redacted] developing [redacted] will [redacted] further marginalised and impoverished.

In all the fervour that greets each [redacted] in communications technology, the very partial application of IT in Africa has, in effect, [redacted] a digital fence around many of [redacted] regions. [redacted] of helping [redacted] developing countries overcome the [redacted] north and south, IT appears to be applied in a way that will cut them off from the more advanced economy of the developed nations.

[redacted] during the 1950s and [redacted], communication technologies were seen as an [redacted] counterpoint to decolonisation. Radio, telecommunications and television were supposed to assist in restructuring unequal relations between north and south.

The US, after the Cold War, no longer feels the need to win hearts [redacted] minds in developing countries. Although South Korea, Singapore and Thailand are eagerly being [redacted] into [redacted] global networks by multinational companies, Africa is largely an IT desert.

We are witnessing the creation [redacted] new, more marginalised "Third World". This is [redacted] great shame because, potentially, IT could be [redacted] the gap with [redacted] developed world. Computers, perhaps provided [redacted] programmes, could help [redacted] develop more modern [redacted] models for better [redacted] help improve agricultural production.

[redacted] Ohajah is an informa[redacted]

BUSINESS AND THE LAW

Safeguards on enforcement

EUROPEAN COURT

The European Court [illegible] ruled [illegible] German civil procedure rules infringe Community law in permitting a temporary property attachment order to be issued on the sole ground that a judgment will have to be enforced in another member country.

The Court [illegible] national procedural rules infringe the principles of a single market for judgments under the [illegible] Convention on Civil [illegible] and Judgments. In particular, national [illegible] rules which differ depending on whether a judgment is ultimately to be enforced within the domestic jurisdiction or in another member country are [illegible] by the prohibition of discrimination in the [illegible] treaty when read together with the Brussels Convention.

The ECJ gave its ruling in response to a question referred to it by the [illegible] Oberlandesgericht in Hamburg. The question arose in the context of litigation between a German Company, Mund & Fester, and Hatrex, the [illegible] transport firm.

[illegible] had transported a consignment of [illegible] from Turkey which had been damaged in transit. Mund & Fester sued Hatrex for damages and interest.

Since Hatrex was based in the Netherlands, Mund & Fester also applied in the Hamburg court for a property attachment order against the truck belonging to Hatrex used to transport the [illegible]. The truck was still in Germany.

The German rules on property [illegible] orders provided that an order may be issued in the context of a judgment to be enforced within the national jurisdiction only where it is likely that, without the order, enforcement would be impossible or fundamentally more difficult. Yet, when a judgment would have to be enforced abroad, that was sufficient justification in itself for an order.

The Hamburg court refused the order on the ground that the foreign enforcement provision was [illegible] with the Brussels Convention in a case where a member country was involved. Mund & Fester appealed. They claimed German rules on attachment orders were [illegible] by the Brussels Convention.

The Hamburg appeal court asked the ECJ to interpret the Brussels Convention in these circumstances. The ECJ said the question effectively asked whether the Rome treaty prohibition of discrimination on the ground of nationality read together with the Convention precluded such rules which differ between domestic and foreign judgments.

First, the ECJ determined that the German provisions came within the scope of Community law. Since the Brussels Convention was based on Article 220 of the treaty which dealt with the recognition and enforcement of judgments, national rules in that field are subject to general Community law.

[illegible] the Court said that the treaty prohibition of discrimination on the ground of nationality prohibited all such discrimination in areas within the scope of the treaty. Discrimination included disguised discrimination, which used the form of applying different criteria which had the same result as overt discrimination.

The Court ruled the national rules of civil procedure in question were a form of disguised discrimination on the ground of nationality. Although the rule did not exclusively prejudice foreigners, it was unlikely often to apply to Germans.

Finally, the ECJ concluded the attachment order rules were contrary to the Rome treaty's ban on discrimination since they could not be objectively justified. According to the ECJ, the enforcement risks in all member countries were no greater than in Germany because all are contracting parties to the Brussels Convention. As indicated in the interpretative report on the Brussels Convention, the territories of the contracting parties can be considered as a single entity.

C-398/92, Firma Mund & Fester v Firma Hatrex International Transport, ECJ 6CH, February 10 1994.

New Registrar

On February 9 1994, a new registrar was formally sworn in before the ECJ. Mr R Grass has now replaced Mr J-G Giraud as registrar responsible for the registry and administration of the Court.

BRICK COURT CHAMBERS, BRUSSELS

It is not clear whether employee rights legislation applies to UK public-sector policy, says **Robert Rice**

Strings attached to contracting out

If the UK government thought that by opting out of the social chapter of the Maastricht agreement it could wave goodbye to European interference with UK employment rights, it has had to think again. Its flagship policy on contracting out public sector services has been thrown into confusion by the impact of the European Acquired Rights Directive.

The directive, which was translated into UK law by the 1981 Transfer of Undertakings (Protection of Employment) Regulations (TUPE), has a simple purpose: to protect the jobs and conditions of employees when the undertaking they work for changes hands. New employers must take over existing contracts of employment, [illegible] with unions and honour collective agreements.

In theory, the impact of the 1977 directive ought to be clear by now. In reality, it is not. After almost 15 years of virtually trouble-free operation, there is widespread uncertainty over its application. The problem is particularly acute in the UK, where [illegible] whether TUPE extends to compulsory competitive tendering and market testing [illegible] the government's policy on these [illegible] is said to be in danger of collapse.

[illegible] that the profitability of public sector contracts often depends on the contractor trimming employment costs by cutting jobs and reducing the pay of those transferred, it is hardly surprising that contractors have become wary of the contracting-out process. But why has TUPE suddenly become such a problem?

Until recently, it had been assumed, in the UK at least, that the 1977 directive applied only where there was a merger, acquisition or takeover of a commercial venture. This interpretation, which would have ruled out the directive's application to the contracting out of services with a purely social or public purpose, was reflected in the UK regulations by excluding their application to "any undertaking which is not in the nature of a commercial venture".

But in 1992, the European Court of Justice ruled in a case called Dr Sophie Redmond that the Acquired Rights Directive could apply to undertakings that were not purely commercial in nature.

Recognising that TUPE was incompatible with European law, and faced with infraction proceedings by the European Commission, the UK government last August bowed to the inevitable – using the 1993 Trade Union Reform and Employment Rights Act to remove the offending words from TUPE. But while the act leaves no room for doubt that TUPE can apply to the contracting out of services – something that had been recognised since the Sophie Redmond decision – the question of whether or not it applies in any particular case remains uncertain.

The uncertainty has not been helped by a number of conflicting court decisions. The approach of the ECJ in Luxembourg is that the directive is capable of broad application. In the 1993 Rask case, which involved the contracting out of a staff canteen by Philips, the Dutch electronics company, the ECJ ruled that the Acquired Rights Directive could apply [illegible] an employer assigned [illegible] an outside contractor the responsibility of managing an in-house service. For the directive to apply, two conditions had to be met. The service had to form an identifiable part of the employer's operations, and it had to retain its identity after transfer.

The ECJ's guidance was followed by the English Employment Appeal Tribunal last July in the case of Wren v Eastbourne Borough Council, which involved the contracting out of the council's refuse collection services. The appeal tribunal said a mere transfer of services could fall within the scope of the regulations but, to the disappointment of all who had hoped the case would settle the issue of whether TUPE applied to compulsory competitive tendering, it referred back to the industrial tribunal the question of whether the contracting out of refuse services amounted to a transfer of an undertaking.

The European Court's broad approach was also followed by the English High Court last summer in Kenny v Woodroffe, where it said TUPE applied to the transfer of prison education services from a local authority to a local further education college.

But in August, this trend towards a broad application of TUPE by the English courts was reversed by the Employment Appeal Tribunal in the Dines case, causing fresh confusion. The appeal tribunal upheld an industrial tribunal ruling that there was no transfer when the contract for cleaning Orsett Hospital in Essex came to an end and a new contract was awarded to a [illegible] contractor. The Dines case goes to the appeal court in June.

To add to the uncertainty faced by contractors, the government's line on the application of TUPE to contracting out has been inconsistent. Two years ago the government advised contractors to bid for contracts [illegible] the [illegible] TUPE applied. Now the government says [illegible] whether it applies or not.

This is causing big problems for contractors, according to Mr [illegible] Davis-Coleman [illegible] the CDC [illegible] company specialising in local authority [illegible]. Mr Davis-Coleman, who founded the TUPE lobbying group, Clause 26 (named after a clause in the 1988 Local Government Act), says contractors are in an impossible situation. They are unsure whether to allow for the costs of TUPE when they tender, so perhaps submitting a bid far higher than their rivals; to bid on the basis TUPE does not apply, and risk being taken to court by employees if they win the contract; or to submit two bids.

The question of whether TUPE protects pension rights, in particular, is causing concern

By September, contractors were so confused that a survey among Clause 26 members suggested that contracting out had virtually come to a standstill. Since then, however, the situation has improved.

Ms Melanie Tether, a partner of City solicitors Norton Rose, believes that contractors and local authorities are beginning to come to terms with the fact that the initial contracting out of public services is a transfer for TUPE purposes.

Guidance from the Department of Environment published last month has clarified the circumstances in which contractors and local authorities can seek indemnities from each other for unexpected TUPE costs. And a body of industrial tribunal decisions on the application of TUPE to the contracting out of different types of services is beginning to bring some certainty to first-round tenders between private contractors and local authorities.

But problems remain. In particular, the question [illegible] whether TUPE protects pension rights and obliges contractors [illegible] provide "comparable" pension provisions is [illegible], [illegible] says. The Court of Appeal will examine [illegible] issue in the [illegible] in the [illegible]

[illegible] or not TUPE extends to pension rights may [illegible] irrelevant in the long term: [illegible] Attorney General, Sir [illegible] Lyell, has made [illegible] that [illegible] government believes pension rights are protected by [illegible]eral employment law. If a new employer [illegible] provide [illegible] pension provision, employees may [illegible] themselves [illegible]tively dismissed and [illegible], he [illegible]. If the appeal court [illegible] in Warrener that TUPE [illegible] not cover pensions, contractors [illegible] to challenge the [illegible] general's view, Ms Tether [illegible], because it would be a substantial competitive [illegible] if they [illegible] provide comparable pension provisions.

There [illegible] still much [illegible] the application of TUPE [illegible] second-round [illegible] one [illegible] over from another. The uncertainty in this [illegible], epitomised by [illegible] Dines [illegible], [illegible] affecting the outsourcing of services in [illegible] private sector.

According [illegible] Mr Ira Chalphin, employment research [illegible] at [illegible] Institute [illegible] Directors, [illegible] wanting [illegible] restructure [illegible] concentrate [illegible] their core business [illegible] concerned by the [illegible] implications of TUPE. The IoD [illegible] UK government [illegible] put [illegible] on [illegible] to limit [illegible] application [illegible] Acquired Rights Directive [illegible] and acquisitions. The directive is under review by [illegible].

The IoD [illegible] also hoping [illegible] European Court [illegible] Justice will [illegible] opportunity [illegible] forthcoming [illegible], which involves [illegible] of a [illegible] employed by a [illegible] private [illegible]tor, to limit or reverse its view of the scope of the directive which it adopted in the Rask case.

Lawyers, however, remain doubtful. According to Ms Tether, the European Court is unlikely to break new ground in the Schmidt case. People say this is an important test case because it involves only one person, she [illegible]. But the Rask case involved [illegible] transfer [illegible] only a handful of staff, [illegible] Schmidt essentially raises the same point.

[illegible] the government's chances of persuading the other member states to limit the scope of the directive. "Any [illegible] requires unanimity within the [illegible] [of [illegible]]. [illegible] very surprised if they get what they are looking for," she says.

PEOPLE

Ken Inglis moves to Fleming

Why should [illegible] Inglis, chief-executive designate [illegible] Threadneedle Asset Management, chuck up the opportunity of putting his mark on one of London's biggest and newest firms of fund managers to join the old-fashioned Fleming Investment Management [illegible] whose funds under management are noticeably smaller?

Inglis, 50, trained as an actuary with Edinburgh-based Scottish Provident in the early 1960s, and switched into investment management in 1972. In 1983 he moved to London to head research at stockbrokers Phillips & Drew and in 1990 returned to fund management as chief executive of Allied Dunbar Asset Management.

Inglis portrays his latest move as natural career progression. Having worked for a traditional Scottish life company, a big institutional broker, and the fund management side of a "highly successful" direct sales company, he was tempted by the challenge of managing the investment arm of an old-established merchant bank.

Robert Fleming, whose fund management business ranges from managing pension funds to the Save & Prosper unit trust operation, is one of the great names in the investment business. However, its investment performance [illegible] not always been up to scratch and industry-watchers believe that the [illegible] to bring in an outsider is an [illegible] that it could do considerably better.

John Manser, Fleming's chief executive, describes Inglis as Fleming's "chief [illegible] officer" and says his task will be to achieve Fleming's strategic aim of becoming "the best performing investment management [illegible] in the UK".

Inglis, [illegible] joins on June 1 [illegible] chairman [illegible] Fleming Investment Management, replaces Iain Saunders, 46, who [illegible] the job for [illegible] years. [illegible] appointed deputy chairman [illegible] Fleming [illegible] Management [illegible] "a [illegible] expansion brief". ([illegible] Observer)

■ Michael Sherwood, the larger-than-life syndicate manager who surprised the Eurobond market last month when he left Goldman Sachs for a quieter life as a fund manager at a private Swiss bank, has missed the buzz of the City so much that he has asked for his old job back.

And Goldman's top brass, eternally grateful to "Woody" for taking the bank to the top of the Eurobond league table last year, have welcomed him back with open arms. No doubt they will look favourably on him when they award partnerships in November.

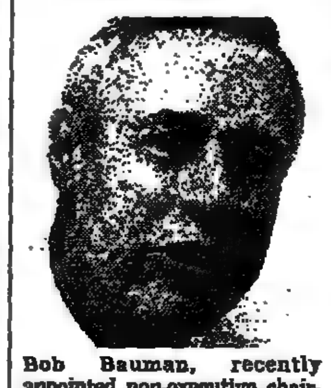
Sherwood will be back at his old haunt today and will be joined on the syndicate desk by Noel Dunn, an executive director of the firm. Sion Kearsey, who valiantly held the fort during Sherwood's absence, has [illegible] rewarded. He has been named joint head of Eurobond trading with Chris Pigden.

■ Ian Sands, formerly deputy md and finance director of NatWest Stockbrokers, has been appointed head of finance and risk at NATWEST Investment Services. John Quinn has been appointed chief investment officer (Asia) for NatWest Investment Management.

■ John Mercer has been appointed md of NWS Bank, part of BANK OF SCOTLAND.

■ John Hosie has been appointed sales director at POINTON YORK GROUP.

Bauman head-hunted



Bob Bauman, recently appointed non-executive chairman of British Aerospace, is also finding time to go on the board of Russell Reynolds, one of the largest international headhunting companies.

Russell Reynolds, which is headquartered in New York [illegible] has [illegible] established more than half its 24 offices outside America, has been taking steps to "internationalise" its board. Though Bauman is an American citizen, he moved to London in 1986 to take up the post of chairman and chief executive of Beecham Group. Since then he earned high marks for piloting the merger with SmithKline Beckman, and become one of the UK's highest paid directors.

It was Russell Reynolds who brought Bauman, then vice chairman of Textron, across the Atlantic. Jane Kingsley, a London-based managing director at [illegible] headhunting company, [illegible] that when Bauman announced he would be retiring from SKB [illegible] would [illegible] "a completely natural [illegible]" to [illegible] him if [illegible] headhunting firm, which [illegible] still retained by SKB. [illegible] would not [illegible] further [illegible] the timing [illegible] his decision. [illegible] is also a [illegible] director [illegible] Reuters, CIGNA, Union Pacific Corporation and Capital City/ABC.

The board meets "three or four times a year", Kingsley adds, "but is mainly there to give advice, so he will receive many, many phone calls."

Other members of the board include John Loudon, the retired chairman [illegible] Royal Dutch Shell, and Philip Caldwell, [illegible] former chairman [illegible] chief executive of Ford Motor Company. The company hopes to bring in a British director in the [illegible] months.

Departures

■ John Collins, ceo [illegible] USA, has resigned and leaves WACE at the end of March.

■ [illegible] Lawrie, md of Presto and Lo-Cost, is retiring from ARGYLL on March 31.

■ Gareth Griffiths has retired from AMERSHAM INTERNATIONAL.

■ Edwin Thompson [illegible] resigned from WOLVERHAMPTON [illegible] DUDLEY [illegible]

Non-executive directors

■ Bill Goodall will [illegible] deputy chairman of [illegible] when Richard Morgan retires on March 31.

■ Duncan Clegg, former director of Lazard Brothers, at LOW & BONAR.

■ John King and Sir Timothy Kitson as vice-chairmen at LEEDS PERMANENT BUILDING SOCIETY.

■ Maxwell Webb has resigned from CI GROUP.

■ Derek Howorth, senior partner of Helmore, Helmore & Co, at ELYS (WIMBLEDON).

■ Thomas Donaldson, chairman [illegible] J.P. Morgan's European [illegible] policy committee, [illegible] ABBEY NATIONAL Treasury Services.

■ Peter Byrom is retiring from ADWEST.

■ Jeremy Woan [illegible] resigned from TADPOLE TECHNOLOGY.

■ Stuart Henderson [illegible] chairman [illegible] SLD HOLDINGS.

■ John Jessop, a former director of GKN, as chairman of CORNMILL CONSULTING INTERNATIONAL.

■ James [illegible] at BOLTON GROUP.

■ John Bracher [illegible] from ECCLESIASTICAL INSURANCE GROUP.

■ Timothy Brennand, retired chairman [illegible] companies in [illegible] Hong Kong, [illegible] GOAL PETROLEUM; [illegible] Spinks [illegible] retiring.

■ Robin Grant, a former director of Charterhouse Bank, at CANTORS.

■ Anthony Fay [illegible] GROUP.

■ [illegible] Whitney, chief executive [illegible] NatWest Investment Management, [illegible] COUNTY SMALLER COMPANIES INVESTMENT TRUST; Andrew Liddell [illegible] resigned.

■ Alan Webb, [illegible] finance director of Tootal, as chairman [illegible] SLIMMA.

■ [illegible] Corscadden has retired from BELLWAY.

■ Martin Beaver [illegible] retired from GOVETT STRATEGIC INVESTMENT TRUST.

■ [illegible] John Sparrow as deputy chairman [illegible] NATIONAL [illegible] PROVINCIAL BUILDING SOCIETY.

■ Pérez de Cuéllar, former secretary general [illegible] United Nations, [illegible] INVEST, [illegible] London company owned by the Bonomi family.

■ [illegible] Dryer, [illegible] former director of consultancy at BIS Applied Systems, at [illegible] CONSULTING.

Concert/**Richard Fairman**

La Damnation de Faust

There are problems in trying to attract the top international conductors to London. Many [illegible] them are exceedingly expensive and, [illegible] if they can be lured to come, only want to conduct [illegible] that they have either just recorded or are [illegible]ing with them around the world's capitals.

Nevertheless, [illegible] a London orchestra wants to look [illegible]petitive against its rivals, it [illegible] the fray. The Philharmonia has [illegible] striving to put together a distinctive line-up [illegible] conductors, [illegible] whom [illegible] to its Music Director Sinopoli (still not announced) will clearly [illegible] the [illegible] important. The prestigious new arrival on its list [illegible] Levine, a high-profile figure [illegible] York, Bayreuth and Salzburg, but not [illegible] in [illegible] London [illegible].

His [illegible] well handled. [illegible] scheduling a [illegible] three programmes [illegible] Philharmonia made [illegible] that [illegible] could [illegible] to best advantage (there were queues for returns) while also giving an overview of Levine's musical sympathies. The Beethoven and Mahler concerts met with [illegible] opinions; by all [illegible] – a performance of Berlioz's *La Damnation de Faust* – was left until last.

It seems no coincidence that Levine has had his biggest successes in the opera-house. The Berlioz may not be an opera (even though it was recently staged at Covent [illegible] but it [illegible] for an opera-conductor's [illegible] atmosphere and pacing. Levine [illegible] in providing most of that [illegible] took [illegible] bar, not just the showpiece orchestral numbers.

In his hands the work aspired to grand [illegible] status, which [illegible] clearly intentional, as Levine had brought with him a heroic Faust in Gary Lakes. Perhaps [illegible] invocation [illegible] to Nature [illegible] call for a grandeur [illegible] utterance, but [illegible] would [illegible] the devil himself to get a [illegible] of this [illegible] to [illegible] with [illegible] flexibility [illegible] Berlioz's music [illegible]. Maria Ewing brought inner intensity to Marguerite's solos; Roderick Earle made a lively impact as Brander. [illegible] van Dam sang a wickedly [illegible] Méphistophélès, [illegible], ingratiating, diabolic, making every word [illegible] French [illegible].

Only a couple [illegible] the Philharmonia put on [illegible] *Damnation [illegible] Faust* with [illegible] Dutoit – [illegible] high-class performance as this, [illegible] it did [illegible] a [illegible] of French style [illegible] not in Levine's bones. Where he [illegible] the upper hand was in the standard [illegible] which [illegible] obtained [illegible] Philharmonia [illegible] and, above all, the quality of [illegible] from the orchestra. This was an evening when the Philhar[illegible] place in the international league.

Richard Fairman

Sponsored by AT&T and NCR

Theatre/**Anthony Curtis**

The New Menoza

Here is a [illegible] oddity well worth making the journey to Notting Hill [illegible] to explore. This translation [illegible] of Jakob Lenz's *The [illegible] Menoza* [illegible] by the Gate Theatre and [illegible] performed [illegible] the Edinburgh [illegible] appreciative notices. [illegible] it has [illegible] re-staged and inaugurates a season of 18th century comedy at the Gate's newly fur[illegible] headquarters.

Lenz was a friend [illegible] Goethe's whom he met in Strasbourg in [illegible] when as a theologian from Livonia (now Latvia) [illegible] part [illegible] a brilliant [illegible] writers. They largely initi[illegible] the [illegible] and [illegible] movement. In their [illegible] this [illegible] not merely a [illegible] life-style in reaction to [illegible] autocracy [illegible] attempt to vitalise the [illegible] German language [illegible] literature, especially [illegible] theatre.

Lenz's plays revealed [illegible] strength of German [illegible] medium. Apart from *The [illegible]*, the other two outstanding [illegible] are *The [illegible]* (all available in English from [illegible], N7 [illegible]). [illegible] in Strasbourg [illegible] were conscious [illegible] French [illegible] much [illegible] they admired [illegible]speare. Lenz the playwright derives from both [illegible]. This play ends with [illegible] Mayor [illegible] Naumberg denouncing the [illegible] unities – one [illegible] three stunning [illegible] performances given by Tom Chadbon during the evening – to his languidly decadent son (Pearce Quigley), a bored upholder of them.

The director [illegible] David Fielding might have [illegible] to cut this scene. At first it seemed an [illegible] after the high-spots [illegible] the masked [illegible] and violent blood-bath, that preceded it, [illegible] most ingeniously staged; but on [illegible] it emerges as the [illegible] to the play. Through an absurdly complicated plot centering on [illegible] of Naum[illegible] a mysterious Prince [illegible] (Peter Lindford), Lenz [illegible] paternity and forced marriage [illegible] another be [illegible] them.

The problem [illegible] prevent [illegible] thing degenerating into a sorry farce. But, miraculously in this [illegible] production, [illegible] definition given [illegible] their [illegible] by the 10-strong company, lifting them right out of the [illegible]reotypes. The play explodes like a well-organised display of fireworks through the formidable [illegible] with which [illegible]ors attack it in the limited [illegible] their disposal. Tristam [illegible] the [illegible] as the bumbling *pater familias* [illegible] nubile daughter (Amanda Royle) [illegible] men all [illegible] everyone [illegible] gloriously fol[illegible] suit. [illegible] to be missed.

Anthony Curtis

[illegible] the Gate [illegible] until March 19.

Feats of clay

The debate [illegible] the Fine and the Applied Arts is an old and hoary contro[illegible]. In the Victoria [illegible] Albert or the British Museum we have little difficulty in taking Renaissance gold and silver, Chinese porcelain or Celtic jewellery as true art, singular and beautiful in the particular marriage [illegible] the aesthetic with the practical. Going round a workshop or exhibition of contemporary craft, we are not so sure.

Objet d'art remains ambiguous and faintly patronising a designation. When, quite, does a work of conventional craft [illegible] itself to become a work of art? Might it not be a work of art in any case, its transcendence quite unnecessary? Taking new work in clay in Britain as its material subject, *The Raw and the Cooked*, shown

*When does a work of craft become a work of art? **William Packer** meets the problem head on in 'The Raw and the Cooked'*

at the Barbican before Christmas and now at Oxford, [illegible] the issue head-on by the simple expedient of ignoring it. That [illegible] should come up with no answer is merely to double the irony.

Clay is, or [illegible] was, quite as much the staple of the sculptor's as of the potter's practice, flexible and convenient, yet oddly neglected by sculptors in our century. So it was that 32 assorted sculptors and ceramists were invited to show examples of current work, which are here set up to take their chances indifferently [illegible] each other, [illegible] benefit of category or caveat.

The result is intriguing and often delightful in the particular, but frustrating overall. The most directly suc[illegible] and impressive are [illegible] exhibitors who are simply getting on with what we know they do, continuing to develop in their work, [illegible] doing it very well. They all fall on the craft side. Such exhibitors as Elizabeth Fritsch, [illegible] Eastman, Carol McNicol and Alison Britton may all be making pots that have a decidedly sculptural quality to them, but pots [illegible]

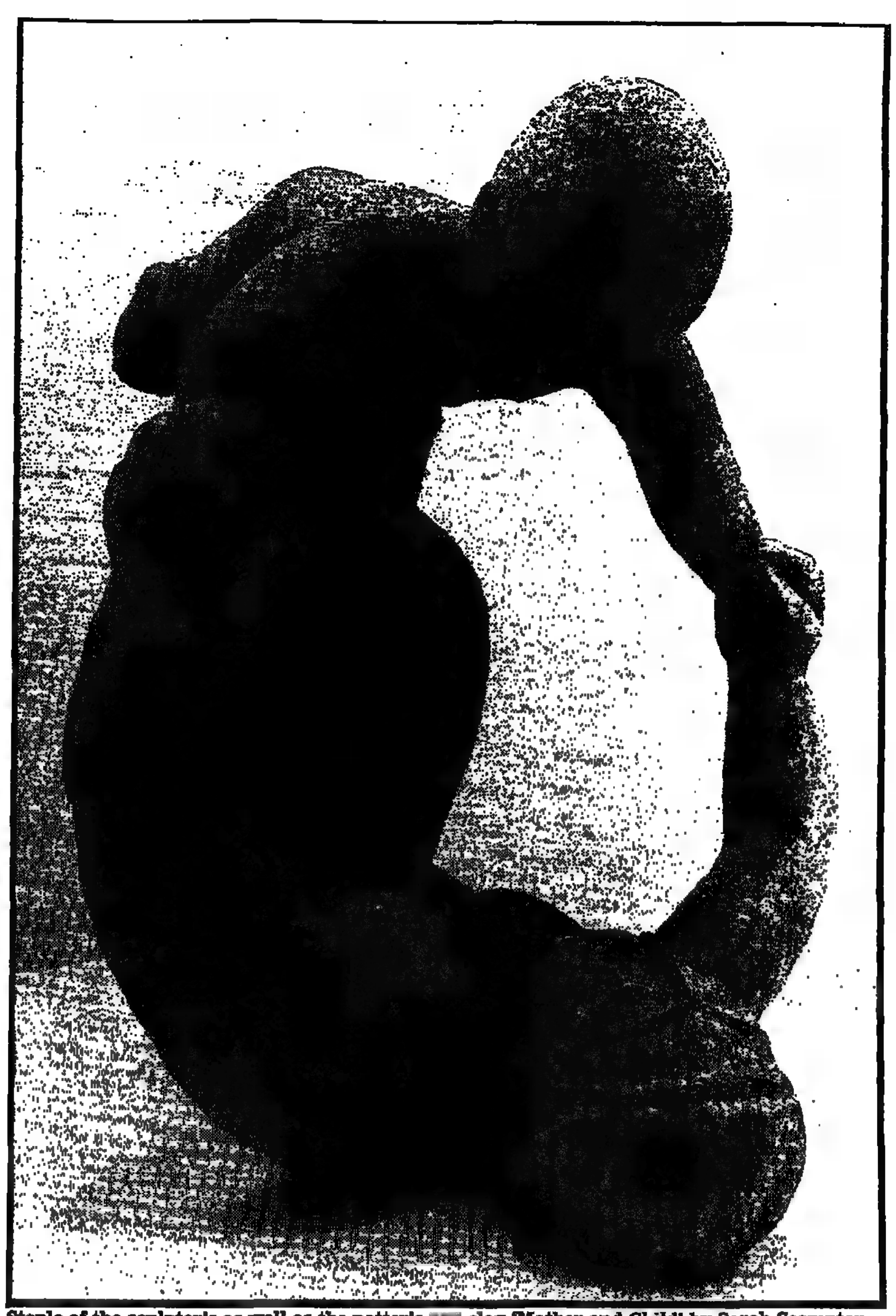
[illegible] satisfactory [illegible] the acknowledged sculptors, whether showing sculpture as such or decorated pots. Antony Gormley's procession of pinched and blobby mannikins, receding to infinity, [illegible] merely silly, the more so for the vast space it neutral[illegible]. Tony Cragg's solid jar-and-bottle forms in rough clay, sliced like loaves, are no more than a perfunctory exercise. Bruce McLean has thrown a pot together, [illegible] thrown [illegible] image onto it. He speaks [illegible] elegance that could be there, if only he gave it a moment to catch its balance. All three [illegible] seem self-conscious, as though to say: here [illegible] point, [illegible] something significant, [illegible] something special.

And in between [illegible] majority, craftsmen by discipline but easing [illegible] no-man's-land in [illegible] direction of sculpture, producing work [illegible] is distinguished [illegible] which [illegible] they know will [illegible] be [illegible] objects, Ewan Hen[illegible] roughly [illegible] totems, Jacqueline Poncelet's quirky fetishes, Susan Halls's raku beasts like trophies hung in the ancestral hall, Philip Eglin's Madonna and Child – all are authentic and convincing in themselves, beautiful and intriguing. I was particularly taken by Tracey Heyes's stoneware disembodied dresses, active figures without the figure itself.

Do these makers all yet accept in their hearts that the old distinction is not to be denied: that what they do is something more than craft, and less than art? It is the very question, perhaps, that is mistaken, and less and more have little to do with it. What this show makes clear is that the integrity of what is done is what matters, and that the tired question of relative status, artist or craftsmen, neither here nor there. Whatever he does, an artist is an artist if he is an artist: it is as simple as that. All very easy to say, of course, but it takes little account of the market and general prejudice and perception. Why should a drawing, pencil on paper, command more, as a matter of course, than a pot? Answer: because it does.

Even so, the Fine Crafts in Britain consistently offer us work across the full range of disciplines that is second to none in the world. Its [illegible] and quality, both technical and aesthetic, speak [illegible] work is shown, but its economic success [illegible] well celebrated. The fact is that the Fine Crafts collectively make a financial contribution within the small [illegible] national economy that is quite disproportionate to [illegible] this should be so [illegible] in part due [illegible] the efforts [illegible] the Crafts Council, founded some [illegible] to foster and promote such activity – and it is sad to see that success still so often ignorantly disparaged, as it was by ITN's *News at Ten* some weeks ago in [illegible] special reports [illegible] government quangos.

■ The Raw and the [illegible] new work in clay in Britain: Museum of Modern Art, 30 Pembroke St, Oxford, until April 10, then to Swansea and Shigaraki, Japan. Supported by [illegible] Crafts Council, and Medite of Europe



Staple of the sculptor's as well as the potter's [illegible] clay 'Mother and Child' by Sarah Scampton

Swiss put Massenet on the European opera circuit

Andrew Clark reviews a [illegible] production of 'Thaïs' in St Gallen which reveals the opera to be a parable of self-discovery, at once noble and tragic

Britain may be enjoying a [illegible] revival, but German-speaking Europe remains impervious [illegible] charms. [illegible] pretty [illegible] to German [illegible] His romantic [illegible] lack [illegible] psychological breadth on which the German [illegible] thrives. [illegible] was, quite simply, the [illegible] un-German [illegible] his time.

[illegible] comes a revelatory production [illegible] in [illegible] to challenge all [illegible] assumptions. It has [illegible] mounted by [illegible] Gallen city [illegible] exactly 100 years [illegible] premiere, and is the [illegible] to be [illegible] in German-speaking Europe. The opera emerges as a [illegible]suous, sensitive duo-drama, a conveyor [illegible] potent human truths, [illegible] example [illegible] *théâtre* [illegible] brav[illegible] and [illegible] sentimental.

The [illegible] a prostitute finding [illegible] and a monk who [illegible] lust is an open invitation to kitsch – [illegible] the kind [illegible] imagery in which German [illegible] abounds. The Austrian producer Franz Winter, with Hans-Martin [illegible] (decor) and Eva-Maria Dessecker (costumes), avoids both extremes, finding instead a parable of self-discovery, at once noble and tragic.

[illegible] performance unfolds [illegible] two white walls, supplemented where necessary by a transparent curtain or a simple prop. The Egyptian setting is captured by the lighting and by the mildly exotic costumes, more colonial than early Christian. But the opera's [illegible] potential is deliberately underplayed in [illegible] to [illegible] the psychological insights. With no breaks for scene changes (and no ballet), the production mirrors [illegible] contrasting [illegible] human condition – spiritual frugality [illegible] worldly [illegible]nism – with a [illegible] in [illegible].

St Gallen [illegible] credit [illegible] finding a [illegible] Thaïs and [illegible] Greek [illegible] Jenny Drivala [illegible] the transition from sinner to saint with lifelike conviction. For the first part of the evening she is very much the *femme fatale*. [illegible] costume and body language match the erotic and fragile quality of the music, while her spartan demeanour in the final act is exactly right.

In [illegible] comes Thaïs's conversion. Here [illegible] introduces a [illegible] singing [illegible] – a black [illegible] cum-confidante – who provides a private audience [illegible] aria, [illegible] stripping her, bathing her and gently, comfortingly embracing her to [illegible] accompaniment [illegible] the [illegible]. This intimate [illegible] impact by power [illegible] suggestion, rather than fully-frontal nudity, and [illegible]merising.

Miss Drivala not only has a figure most prima donnas would kill for, but enough high-wire courage [illegible] musical intelligence to make the part her own. The voice has a delicate, intense quality, [illegible] big nor sumptuous. She is partnered by [illegible] American baritone Philip Zawisza, [illegible] warm timbre and more-than-accept[illegible] French are a boon to [illegible] vocal [illegible] His acting [illegible] equally convincing, notably in [illegible] his Jimmy Swaggart-like [illegible] turns into [illegible].

The musical quality is underpinned by Patrick Fournillier, [illegible] French conductor who played a key part in [illegible] success [illegible] *Cendrillon*. He allows the singers to be heard above [illegible] large orchestra [illegible] – despite the undernourished St Gallen strings – negotiates the [illegible] harmonic progressions, [illegible] instrumental colouring [illegible] complete stylistic assurance.

The entry on [illegible] in [illegible] *Grove* concludes [illegible] "it is, in many ways, [illegible] still awaiting its [illegible] serious production". In [illegible] unlikely setting [illegible] St Gallen, [illegible] surely been reached.

INTERNATIONAL

ARTS GUIDE

■ AMSTERDAM

Muziektheater Tonight, tomorrow, Fri, [illegible] next [illegible] Tues and Wed: [illegible] National Ballet in choreographies by Petipa, Tetley and [illegible] Thurs: Hartmut Haenchen conducts final performance of Willy Decker's production of Wozzeck, with John Bröcheler and Marilyn Schmiege. [illegible]: Alberto Zedda conducts [illegible] night of revival of Dario Fo's production of Il barbiere di Siviglia (020-625 [illegible]
Concertgebouw Tomorrow, Thurs, Fri: Carlo Maria Giulini [illegible] Royal Concertgebouw Orchestra in works by Franck, Debussy and Ravel. [illegible] afternoon: Michael [illegible] Thomas conducts Rotterdam Philharmonic Orchestra in Mahler's Ninth Symphony. Sun afternoon: Combattimento Consort plays a baroque original instrument programme. Sun evening: Ton Koopman conducted Amsterdam Bach Soloists and Baroque Choir in Telemann's oratorio Der Tag des Gerichts. Mon: Freiburg Baroque [illegible] plays Vivaldi and CPE Bach, with cello soloist Anner Bijlsma. Next Tues: Gidon Kremer and Martha Argerich (020-671 [illegible]

■ BRUSSELS

Palais des Beaux Arts Tomorrow: Alban Berg Quartet plays string quartets by Haydn, Berio and Janacek. Thurs: Wiener Akademie plays an all-Haydn programme, with trumpet soloist Reinhold Friedrich. Fri: Michael Gielen conducts South West German Radio Orchestra in Berg and Zemlinsky. Sun afternoon: Peter Hirsch conducts Belgian National Orchestra in Weber, Mendelssohn, Debussy, Tchaikovsky and Dukas, with violin [illegible] Barantschik. Mon: Ensemble Clément Janequin, with counter-tenor Dominique Visse, presents a programme of music by 16th century [illegible] composer Orlande de Lassus (02-507 8200)

■ CHICAGO

CHICAGO SYMPHONY
Mariss Jansons conducts works by Weber, Korngold and Shostakovich on Thurs, Fri afternoon and Sat at Orchestra Hall, with violin soloist Samuel Magad. James Galway gives a flute recital on Sun (312-435 6666)

THEATRE
● The Don Juan Project: Baliwick Repertory, one of Chicago's adventurous small theatres, presents eight takes on one of literature's most famous rakes - from a new version of Jose Zorrilla's 1884 play Don Juan, to Shaw's Don Juan in Hell and a new feminist revision, Dear Juan. Till March [illegible] (312-327 5252)
● Oleanna: David Mamet's two-hander about sexual harassment has become one of the most-produced plays in America. This production is directed by Michael Maggio at Wellington Theatre (312-975 7171)

■ GHENT

de Vlaamse Opera Tonight, Thurs, Fri: Evelino Pido conducts Guy Joosten's production of La Cenerentola, with cast headed by Alison Browner. The production can be seen in Antwerp on March 1, 3, [illegible] and 6 (091-225 2425)

■ THE HAGUE

Dr Anton Philipszaal Tonight: Simon Rattle conducts Orchestra of the Age of Enlightenment in symphonies by Mozart and Schubert. Thurs, Fri: Andrew Parrott conducts Hague Philharmonic Orchestra in works by Tippett, Barber and Elgar (070-360 9810)

■ UTRECHT

Vredenburg Thurs: Ton Koopman conducts Amsterdam Bach Soloists and Baroque Choir in Telemann's oratorio Der Tag des Gerichts. Fri: Lev Markiz conducts Radio Chamber Orchestra in a Shostakovich programme, with cello soloist Dmitri Ferschtman. Sun afternoon: Jean Fournet conducts Radio Philharmonic Orchestra and Chorus in works by Florent Schmitt and Chausson, with soprano soloist Françoise Pollet. Next Mon: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in Berlioz, Lalo and Strauss, with violin soloist Igor Oistrakh (030-314544)

■ VIENNA

OPERA/DANCE
[illegible] Tonight, Fri: [illegible] Manon. Tomorrow, [illegible] L'Italiana in Algeri with [illegible] and Ferruccio Furlanetto. Thurs and next Mon: [illegible] di Lammermoor with Edita Gruberova and Dennis O'Neill. March 2, [illegible] 10: [illegible] et Dalila with [illegible] and Baltsa. March 18, 21, 23: Carlos Kleiber conducts Der Rosenkavalier (51444 2955)
Messepalast Tonight, tomorrow, Thurs: Twyla Tharp [illegible] Company. Sat, Sun: Nederlands Dans Theater. March 1-3: Compania Nacional [illegible] Danza from Madrid. [illegible] 5-9: [illegible] Theatre (586 1676)
Volksoper Fri: first night of new production of Bizet's Pearl Fishers, sung in German (51444 2959)

CONCERTS
Musikverein Tonight: Martin Sieghart conducts Stuttgart Chamber Orchestra in works by Haydn and Stravinsky, with [illegible] soloist Natalia Gutman. Tomorrow: Gidon Kremer and Martha Argerich play works for violin and piano by Beethoven. Fri evening, Sat afternoon, [illegible] morning: [illegible] Muti [illegible] Vienna Philharmonic Orchestra in Beethoven, Stravinsky and Dvorak. Sat and Sun evening: Georges Prêtre conducts Vienna Symphony Orchestra and Chorus [illegible] Poulenc's Gloria and Fauré's Requiem. [illegible] and [illegible] (Brahms Saal): Deon van der Walt song recital. Next Mon: Barcelona City Orchestra plays Gerhard and Falla (505 8190)
[illegible] Tonight: Georges [illegible] Symphony Orchestra in works by Webern, [illegible] Mahler, with [illegible] Gjevang and Siegfried [illegible] Thurs: [illegible] Vegh [illegible] in Mozart, Haydn and [illegible] Sun: Lynne [illegible] Rayam head the [illegible] in [illegible] Jeptha (712 1211)

THEATRE
Burgtheater A new production of Ibsen's Peer Gynt, directed by Claus Peymann, opens [illegible] (51444 2218)
Raimund Theater Kiss of the Spider Woman, the Kander and Ebb musical, runs daily except Mon (Wien-Ticket 58885)

■ WASHINGTON

MUSIC/DANCE
■ Paul Taylor Dance Company is in residence this week at Eisenhower Theater (202-467 4600)
■ Lisa Gasteen and Richard Margison head the cast in Washington Opera's production of Un ballo in maschera, opening at Kennedy Center Opera House on Sat (repeated March 3, 6, 8, 11, 14, 19). [illegible] Butterfly joins the repertory [illegible] March 5 (202-416 7800)
■ [illegible] four Beethoven piano sonatas on Sun at Kennedy Center Concert Hall (202-467 4600)

THEATRE
■ Breaking the Silence: Stephen Poliakoff's 1984 play about the struggles of a family on the run from the Russian Revolution. Till March 20 at Church Street Theater (202-657 2465)
■ [illegible] Joseph Pintauro's poignant play about an Aids support group [illegible] their [illegible] in [illegible] explosive way. In repertory [illegible] Signature [illegible] till [illegible] 4 with Vera, [illegible] play about a woman who fights for equality and a new life (703-820 9771)
● [illegible] Shakespeare's play is directed by Irene Lewis at Center Stage's [illegible] Theater. Till March 20 (410-332 0033)
■ Grease: the rock and roll musical comedy in a Tommy Tune production [illegible] by Jeff Calhoun. Till March 20 at National Theater (202-628 6161)

■ ZURICH

Opernhaus Tonight: La boheme with Katia Ricciarelli as Mimi. Thurs: Fidelio [illegible] Winbergh as Florestan. [illegible] Nikolaus Harnoncourt conducts Le nozze di Figaro, with Ruggero Raimondi as the Count (repeated March 3 and 6). Sun morning, next Tues evening: Riccardo Chailly conducts Bruckner's Eighth Symphony. Sun evening: choreographies by Ek, Van Manen and Bienert (01-262 0909)
Tonhalle Sun: Howard Griffiths [illegible] Zurich Chamber [illegible] in works by David Matthews, Beethoven, Sibelius and Mozart, with piano soloist [illegible] Pagny. [illegible] Mon: Frank Peter Zimmermann, accompanied by Alexander Lonquich, plays violin [illegible] by Mozart [illegible] Brahms. Next Tues (Kongresshaus): Montserrat Caballé (01-261 1600)

ARTS GUIDE

Monday: [illegible] New [illegible] Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, [illegible]
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions [illegible]

European Cable and Satellite Business TV

(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT [illegible] Tonight 1730, 2230

MONDAY
NBC/Super [illegible] FT Reports [illegible]

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

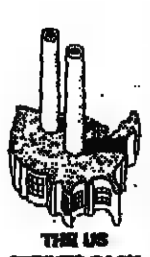
WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky [illegible] FT Reports [illegible] 1730;

America's high-tech industry is in the lead again, say **FT writers**

Progress out of chaos



The much-trumpeted revival of US manufacturing in the 1990s, though patchy, seems beyond dispute in one vital area. In high-tech electronics, [illegible] cially the converging worlds [illegible] computing [illegible] telecommunications, the US has reasserted [illegible] dominance in [illegible] past three [illegible].

Some would [illegible] America's lead here was never really in doubt. But in [illegible] mid-1980s, it seemed [illegible] be narrowing. At [illegible] end of the chain, the US [illegible] industry was in a nosedive. Further up, the Japanese were taking [illegible] the production of semiconductor [illegible] chips. At the [illegible] of the chain, and perhaps most worrying from a strategic viewpoint, the [illegible] rapidly losing ground in [illegible] the highly sophisticated equipment [illegible] in manufacture [illegible] chips.

Now, [illegible] the [illegible] has [illegible] low-profit-margin, commodity [illegible] products such [illegible] chips and [illegible] [illegible] racing ahead in many aspects of information technology.

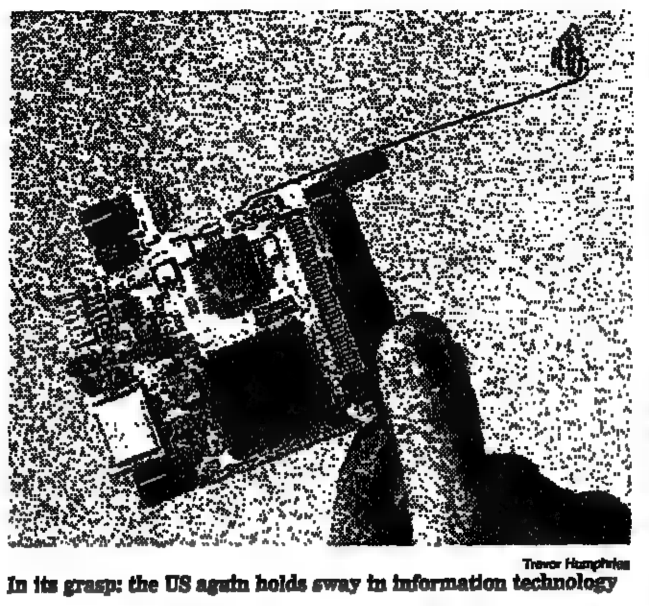
US companies dominate such critical areas as microprocessor chips, computer software and personal computers. There has even been a comeback in machines for making semiconductors. The leading US supplier, Applied Materials of California, now claims to be the biggest in the world.

For once, the revival is not just a function of the shrinking Japanese [illegible] and [illegible] strength [illegible] the yen. The electronics industry is seeing shifts in technology and markets which play [illegible] America's strengths, just [illegible] the [illegible] exposed [illegible].

In information technology, [illegible] the argument, [illegible] has [illegible] advantages:

■ [illegible]. Competition in long-distance telephone [illegible] the growing [illegible] of [illegible] regional "Baby Bells", [illegible] by the break-up [illegible] AT&T in the early 1980s, have encouraged [illegible] in US telecommunications, producing lower-cost, more advanced telephone services.

At the same time, the American talent for entertainment – especially TV and video – has produced explosive demand for cable television networks. As a result, the spread and variety of electronic links between US offices, factories and homes is a long way ahead of Japan.



Trevor Humphries

In its grasp: the US again holds sway in information technology

■ [illegible] of personal computers. The vast majority of US offices are equipped with networked PCs. About one-third of US households also have at least one PC. Japan by comparison has been slow to take advantage of PC technology.

■ The enterprise culture. California's Silicon Valley is still characterised by a diversity of start-up companies, underpinned by a powerful and sophisticated venture capital industry.

On the basis of these advantages, [illegible] is racing [illegible] build [illegible] networks, [illegible] interactive media, which link homes, offices, [illegible] and hospitals. The Clinton [illegible] the development [illegible] "[illegible] super-highway" [illegible] national goal.

Industry [illegible] the super-highway will not only create markets [illegible] their inventions, but change the world, or at least the US. "Sceptics may disagree, but I believe the impact [illegible] this revolution will [illegible] that [illegible] the [illegible] or the telephone or, perhaps, printing itself," says Larry Ellison, [illegible] and chief executive of Oracle, a leading US database software company.

The confidence that imbues the US industry is in contrast to the [illegible] of the late 1980s. There are still exceptions, [illegible] International [illegible] Machines and Digital Equipment, [illegible] largest computer companies, which [illegible] struggling [illegible] adapt [illegible] shifts in technology [illegible] markets. [illegible] a whole, though, [illegible] sector has turned itself round.

In personal computers, the US was bracing itself in the 1980s for a Japanese invasion. The Japanese had captured the semiconductor market. It was said, and their next target would be PCs. The reverse has happened: US PC manufacturers are making inroads in the Japanese market.

One reason [illegible] technology change. "The [illegible] players in the Far [illegible] think all they had to do was fill a boat [illegible] cheap products [illegible] here," says Safi Qureshey, head of AST Research of California, the world's fourth-biggest personal computer maker. "Now it turns out that, by the time the stuff lands here, it's a little bit slow, a little bit old, and they can't sell it at a profit."

Some Silicon Valley executives say the pace of change also favours US entrepreneurial companies in a more fundamental way. Harvey Jones, head of the software company Synopsys, argues the electronics industry alternates [illegible] phases: that of innovation, or chaos, and that of production, or standardisation.

[illegible] present, he says, the industry is going through a chaotic upheaval. In telecoms, he says, "we have Ericsson, Alcatel, Siemens, NEC, Fujitsu and AT&T as customers. When we see them all in frenzied mode after God knows how many telecom strategies, you say to yourself that we're in a huge cycle of innovation. The same is true in multimedia. It's all pre-standardisation, and all creative invention."

This is the phase in which US-style creative diversity wins over the large-scale, straight-line approach of the Japanese giants. Take the initial innovative stage of semiconductors, says Jones. "That was a phase when companies like Intel and Fairchild could do no wrong. Then, as it settled down, people said 'hey, a memory's a memory, and it's got to fit into this one kind of socket on the board'. Then, all of a sudden, the Japanese came in and took over."

This does not mean that the US is doomed to lose its high-tech edge again. US companies are more aggressive today in protecting their intellectual property rights. Semiconductor manufacturers demand higher royalties on their patents, and software companies vigorously enforce their copyrights. Thus it will be more difficult for any foreign competitor [illegible] advantage [illegible] Intel's [illegible] microprocessor innovations [illegible] it [illegible] Japan's chipmakers to become leaders in the market for the dynamic random access memory chips, which Intel also invented.

Through international alliances, US companies are also taking advantage of low-cost mass production abroad – in Taiwan, China, Singapore and Malaysia, for example. Even though the majority of circuit boards for PCs are made outside the US, American companies win most of the profits in the world PC market.

The biggest advantage for US high-tech manufacturers, however, is that technology trends are being set in their home market. This has long been the case in computer hardware and software, but it is increasingly true of telecommunications and even consumer electronics. Most important, the US leads the world in working out how these technologies converge.

Report by Martin Dickson, Louise Kehoe and Tony Jackson. Earlier articles appeared on February 7 and 15

Joe Rogaly

Buskers' timid tune

Mr John Prescott [illegible] one of Labour's [illegible]. Unfettered by the conventions of the English language, the party's spokesman on employment (and would-be deputy leader) manages to convey more with his unique syntax than does, say, Mr Gordon Brown, whose anxious blending of [illegible] with buzz-word, [illegible] with jargon, dark warning with sweeping intimation, [illegible] it [illegible] to unearth his meaning. This [illegible] applies only to [illegible] ponderous [illegible] of the [illegible] chancellor's [illegible]. He [illegible] funny in the House [illegible] Commons. Face-to-face, he [illegible] clear. On TV, however, [illegible] is [illegible] than a [illegible] of laughs. Mr [illegible] higher on [illegible] counts, although [illegible] of his spoken sentences are difficult [illegible]. Even Mr Robin Cook, with [illegible] beard, rapid-fire brain [illegible] rapid-fire mouth, [illegible] quite so [illegible] ing [illegible] the garrulous [illegible] employment secretary.

Why, it may be [illegible], do [illegible] need [illegible] bother with [illegible] gentlemen? Is Labour [illegible] intellectually [illegible] mant? [illegible] only [illegible], they may be senior [illegible] Labour [illegible]. Another [illegible] their names [illegible] on *Financing Infrastructure Investment*, [illegible] consultative paper published yesterday.

A warning [illegible] here. [illegible] apparently tripartite authorship [illegible] brotherly turf-sharing in [illegible] shadow cabinet. [illegible] Brown, Cook, [illegible] in [illegible] of seniority. The closely-argued [illegible], which [illegible] mainly [illegible] public-private finance, [illegible] three-quarters prepared in Mr Prescott's office. He has been propounding the central thrust of it for some five years. The quality of the finished product invites us to suspend our disbelief in the possibility that anything worth arguing about can be produced by Britain's principal political parties.

Do not be misled by the use of that word "quality". Everything is relative. In the empty auditorium of British political debate we must be grateful for whatever busking turns up to offer us enlightenment. These three are busking more interestingly this week than for some time past. That's all. Although there is much talk about [illegible] ting a partnership between business and the state, the Prescott *et al* thesis does not constitute a [illegible] economic theory, a substitute for socialism, [illegible] repackaged form [illegible] capitalism, [illegible] even [illegible] storyline that might give [illegible] positive [illegible]. It simply ignores old-style nationalisation and [illegible] the practicalities of bringing private capital into public initiatives. It does so with [illegible] sharper eye than the Treasury will currently permit. [illegible] best, it [illegible] on the right, which is what an opposition party should do.

The Prescott et al thesis does not constitute even a storyline that might give waverers a positive incentive to vote Labour

The cynical might dismiss the exercise as another episode in Labour's perpetual search for off-balance sheet financing, a piece of hocus-pocus to dodge [illegible] consequences of the party's high-spending intent, [illegible] opportunistic [illegible] for [illegible] for a less tatty Britain. It is not quite so [illegible] that. For example, it proposes the sale of regulatory restrictions. This implies that, say, Oftel's grip on BT might be eased in exchange for an undertaking to develop a fibre-optic network. Of course there is *some* chicanery in this. There is no intimation that the price might be paid in higher call charges. We are, remember, talking about a political document.

More down-to-earth sections seek to remove what the paper calls "obstacles to partnerships between public and private sectors". Take the Treasury rule that where the taxpayer assumes all the risk, the private partner cannot expect all the rewards. Labour, you will be relieved to hear, agrees. The rule has, however, prevented the conception, let alone the birth, of many a public-private joint venture. The answer is to redefine risk. The state might insure investors against events over which it has control, such [illegible] changes in the law, the sudden imposition of safety codes or ministerial bumbling. The private partner could absorb the risk associated with design, efficiency, cost and late completion. Such a compromise might have facilitated an earlier start to the channel tunnel rail link, more cheaply than will now be the case.

Another disincentive to bringing in private money is the low rate of return likely under existing rules. A leading article in Monday's Financial Times pointed out that the Treasury insistence that Railtrack should budget for a 5.6 per cent return on its assets, rising to 8 per cent in four years, constitutes an excessively tight target. The consequent charges for using the rail network [illegible] attractiveness of investment in rail operations. The Prescott-plus paper [illegible] that 8 per [illegible] for all projects [illegible] Mr [illegible] Major in 1989, when he was chief secretary [illegible] the Treasury. It is now higher than the [illegible] real rate of return [illegible] private non-oil [illegible]. Nervously Labour's paper suggests "re-opening this [illegible]".

The authors are just [illegible] timid, [illegible] with more reason, when they [illegible] redefinition of the public [illegible] borrowing requirement. The convention in [illegible] Europe, [illegible] paper, [illegible] to treat publicly-owned activities that [illegible] return differently from [illegible] that do not. This suggestion for writing-down the PSBR is no more infamous [illegible] the [illegible] writings-down of [illegible] level of unemployment by [illegible]. It [illegible] supported by the conver[illegible] in [illegible] treaty. "We [illegible] consulting [illegible] this," [illegible] bold, radical authors.

[illegible] principal [illegible] of these tentative suggestions is, [illegible], associated with the [illegible] of the party. Mr [illegible] antecedents [illegible] through, [illegible] in [illegible] paper's [illegible] projects should [illegible] led by the government, [illegible] priorities. Regional [illegible] banks [illegible] in [illegible] mix. There [illegible] acknowledgement [illegible] the [illegible] factor, namely [illegible] result from [illegible] by [illegible] the contrary the private [illegible] regarded [illegible] equally [illegible] to error. [illegible] enough [illegible] the [illegible]. The problem [illegible] that their own "private [illegible]" is initiating very little. Perhaps [illegible] why Sir Alastair Morton, brought in [illegible] revi[illegible] it, will [illegible] symposium on Thursday. The co-chairman of Eurotunnel can tell them about financing the link.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London [illegible] 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Germany escaping stranglehold

From Mr Holger Schmieding.

Sir, Your stimulating leading [illegible] "In Germany, it may [illegible] worse" (February 15), seems to portray the looming labour dispute in west German [illegible] engineering as a [illegible] [illegible] possible recovery. However, [illegible] be seen as the birth pangs of [illegible] most beneficial revolution.

The labour market is finally [illegible] traditional stranglehold [illegible] organisations [illegible] big business. The profound change [illegible] driven by [illegible] Germany's deepest post-[illegible] recession, a structural shift from industry [illegible] unionised [illegible] and a growing [illegible] Germany's corporatist organisations [illegible] in [illegible] Germany with [illegible] accords.

This January's pilot agreement in the west German [illegible] only [illegible] an [illegible] wage increase of [illegible] below [illegible] inflation. It did away with more [illegible] than [illegible] optimists had [illegible] for. The [illegible] hour [illegible] working week, more leeway [illegible] bargaining [illegible] company level, and lower wages for long-term unemployed re-entering the [illegible] are among the achievements.

[illegible] IG Metall, once the most powerful union in [illegible] non-communist world, [illegible] yielded [illegible] lot. It may still try to fight a lamentable rearguard action against the trend. But if it indeed took an open conflict to clear the way for a more [illegible] and [illegible] [illegible] the economy [illegible] emerge stronger rather than weaker from it – apart, of course, from a short-term dip in a quarterly gross domestic product growth rate. And even if, for whatever reason, the final settlement in metal engineering would not deliver the needed extra flexibility, the change would most likely come about nonetheless.

The present stream of companies leaving the employers' association and striking their own tailor-made deals with the [illegible] would probably [illegible] to [illegible] flood, making the outdated central bargaining ritual more and more obsolete.

Holger Schmieding,
senior economist,
Merrill Lynch Bank AG,
Frankfurt/Main,
Germany

Bridge toll

From Ms Kathleen MacRae.

Sir, Re your story on the Sky toll bridge ("Tolls will be steep on the high road to Skye", [illegible]ruary 10) [illegible] must [illegible] stressed that the [illegible] with [illegible] developer is "... that [illegible] actual duration [illegible] toll period would [illegible] period which results in the collection of tolls with a net present value of £23.6m discounted back to December 1990 at a real interest rate of 6 per cent or 27 years, whichever period is the lesser".

A 15-year period is based on the most optimistic traffic growth forecast and has credibility only as propaganda with apologists for the high-toll regime.

Kathleen MacRae,
Sky Bridge Appeal Group,
Breakish, Isle of Skye IV42 8QA

Need for subsidies will threaten rail network

[illegible] Mr Roger Ford.

Sir, Having been [illegible] the [illegible] national [illegible] actively supporting railway privatisation, the [illegible] hardly complain [illegible] it doesn't like the way it is turning [illegible] ("Selling [illegible] railways", February 21).

Far [illegible] the new [illegible] charges meaning that "[illegible] the franchises will [illegible] profit[illegible] public subsidy", they [illegible] out [illegible] already loss-making. [illegible] exception, [illegible] no-one's surprise, [illegible] Express.

I say already [illegible] leasing charges have yet [illegible] announced. I calculate that [illegible] will add a further [illegible] operating [illegible].

Thus, [illegible] only will all franchises [illegible] they will have [illegible] heavily [illegible]. And while, [illegible] point out, [illegible] a money merry-go-round, [illegible] grant needed [illegible] the merry-go-round turning [illegible] more than [illegible] £2bn, [illegible] double the [illegible] Public [illegible]vice Obligation [illegible].

This perceived doubling [illegible] railway [illegible] must present a [illegible] the [illegible] stability [illegible] the [illegible] it [illegible] that railways [illegible] an irredeemably inefficient form [illegible] transport, reinforcing [illegible]ing prejudices in certain quarters of Whitehall.

Roger Ford
business editor,
Modern Railways,
8 Russellcroft Road,
Welwyn Garden City
Hertfordshire AL8 6QT

High cost of share options

From Mr C W Daws.

Sir, Whatever views one may hold about [illegible] option schemes, one thing should be made clear. They are not costing large amounts of lost tax – quite the opposite.

Most directors who exercise high-value share options will sell the shares immediately. So the director who realises [illegible] gain of £1m will be subject to 40 per cent capital gains tax on virtually all the gain, just as he would have paid [illegible] income tax on a £1m bonus.

The director's gain is the company's loss. The shareholders will lose value of £1m just as surely as [illegible] the company had paid a bonus of the same amount [illegible] the director. [illegible] vital [illegible] is [illegible] bonus payment earns a corporation tax recovery of £330,000, making a net cost of £670,000, whereas the cost deriving from the share option gets no such relief. So share options are a much more expensive way of delivering value to directors than cash bonus schemes. The only reason share option schemes persist is because the cost to shareholders does not appear in the profit and loss account, or indeed anywhere else in the accounts, and it is only through the newspapers that some of the largest figures [illegible] revealed.

If [illegible] really [illegible]ciated what share option schemes are costing them, particularly [illegible] of [illegible] tax, they would [illegible] the [illegible] overnight and replace them with cash bonus schemes.

C W Daws,
Church Commissioners,
1 Millbank,
London SW1P 3JZ

Greece being too quickly criticised over Macedonia

From [illegible] Chloros.

Sir, Your editorial, "Greek disgrace" (February 18), has left at least one Greek reader quite unhappy. Your paper has been too quick to chastise the [illegible] presidency for [illegible] "affront" [illegible] its EU partners [illegible] the subject [illegible] the Former Yugoslav Republic [illegible] (FYROM). I ask you, [illegible] forget the [illegible] diplomatic blunder both Britain and Germany committed by visiting Turkey [illegible] even noti[illegible] partners?

[illegible] EU partners justified in, on the one hand, condemning the country's [illegible] foreign policies [illegible] FYROM and, on the other, praising [illegible] history and heritage that form [illegible] of the modern [illegible] civilisation? It is, after all, this history and heritage that Greece wishes [illegible] defend from the [illegible] Vergina [illegible] and the Macedonian name.

[illegible] in the region is, indeed, in [illegible] interests and everybody hopes [illegible] quick solution on the [illegible] problem. However, fuelling EU impatience and "[illegible] irrita[illegible] with Greece" and suggesting what the [illegible] strategy should be "for a country [illegible] heavily dependent on EU funds" [illegible] not, [illegible] opinion, represent constructive criti[illegible].

Inflammatory comments and the passing of such judgment do not fit the serious profile of your paper.

Nikos Chloros,
46 St Petersburgh Place,
[illegible] W2 4LD

[illegible] Mr [illegible] Chudley.

Sir, Your leader, "[illegible] grace", should be entitled "European disgrace". It [illegible] months since [illegible] partners in Europe rushed [illegible] indecent [illegible] recognise "Macedonia" in a crude [illegible] to pre-empt the [illegible] Greece's presidency [illegible] EU, in the full knowledge [illegible] *had* [illegible] leading [illegible] in [illegible] downfall [illegible] former prime minister, [illegible]tine Mitsotakis.

Led by Germany, with a long history of disastrous meddling in the Balkans, and abetted by Britain and France, which ought to know better, they left the Greek government with no option other than a dramatic gesture if it was to retain credibility.

[illegible] complain now that this may rock the position [illegible] the "moderate" Gligorov and to introduce Bulgaria [illegible] argument is pure sophistry.

Your leader writer, in company with most [illegible] Europe's leaders, shows no sensitivity to [illegible] painful 150-year [illegible] of Greece [illegible] put back together the ideal [illegible] Hellenism after nearly 2,000 [illegible] subjugation to Roman, Venetian, Frankish and Turkish invaders, or to the importance to them [illegible] of Macedonia, his [illegible] Alexander [illegible] Great, and Vergina, his birthplace.

May I ask how the [illegible] would [illegible] about the Faroe Islands (with about [illegible] justification) taking the name [illegible] the Republic [illegible] Scotland, [illegible] stone [illegible] its flag and having [illegible] in [illegible] constitution requiring [illegible] government [illegible] involve itself in [illegible] protection of Scots wherever they may be.

John Chudley,
PO Box 50,
Nafplion,
Greece

FINANCIAL TIMES

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Tuesday February 22 1994

Now Tuzla and Mostar

So far, so good. The shelling of Sarajevo has been stopped. Nato has not actually launched any air-strikes, but no one should doubt that its threat to do so was necessary. Perhaps the Russian intervention was also necessary. Certainly it made it much easier for the Serbs to comply (more or less) with Nato's ultimatum without loss of face. But without the ultimatum and the threat Russia would almost certainly not have intervened in this way, and even if it had done so the Serbs would have been less likely to comply with Russian requests.

As it is, the ultimatum has had to be interpreted creatively to make it possible for General Sir Michael Rose, the UN commander, to certify compliance. The effective [illegible] of UN "control" over weapons remaining within the 20km-radius exclusion zone is [illegible]. UN member states have lamentably failed to provide General Rose with the [illegible] extra troops he has requested, thereby continuing the pattern of irresponsibility which has characterised all previous international "action" in the former Yugoslavia.

France and Britain, the two leading contributors to the existing UN force (Unprofor), have smugly refused General Rose's request, suggesting it is for others to take a share of the burden. However justified this implied criticism of the US, it is hardly a constructive response, nor is it calculated to strengthen Atlantic solidarity in the next phase of the crisis. Both countries should recognise that their national prestige and interests are now irrevocably bound up with the UN operation in Bosnia. If the operation fails for lack of manpower they may console themselves by blaming the US, but it is they who will look most foolish.

Strategic significance

With luck, the ceasefire in and around Sarajevo will now hold, at least for a time. The Serbs will probably move their weapons to other fronts of greater strategic significance, such as Brcko and Bihac, where Bosnian government forces are still in a position to threaten communications between the Serb-held areas in Croatia, Bosnia and Serbia proper. But a ceasefire does not in itself mean that the siege of Sarajevo is lifted – though that was [illegible] declared objective when it ordered the withdrawal of heavy weapons.

Likewise, the lifting of the siege of Sarajevo would not end the suffering in other parts of Bosnia, including many that the UN has officially taken under its protection, including two (Srebrenica and Tuzla) where specific actions ordered, on pain of airstrikes, by last month's Nato summit have yet to take place. Even the relief of all these places would not bring peace to Bosnia as a whole.

Exploit momentum

So it is vital to exploit the momentum of the small success gained in Sarajevo before it evaporates. General Rose was right to press ahead yesterday with plans to open roads into and out of the city and to repair water, electricity and gas supplies. He is right, and should be given the fullest support by Nato and the UN Security Council, in seeking to extend the Sarajevo model to other parts of Bosnia. Opening the airport at Tuzla, through which desperately needed food, medicine and shelter could be brought to more than 1m civilians in central Bosnia, is an obvious priority. But the plight of Mostar, which is worse than that of Sarajevo, must not be forgotten.

The Serbs are not the only villains in this war. It is Croat forces, with active support from the Croatian regular army, that have destroyed the historic bridge of Mostar and are still raining down shells on the Moslem population trapped on the east bank of the Neretva. President Franjo Tudjman of Croatia, a protégé of Germany and the Vatican, has still given no indication that he will withdraw his troops from western Herzegovina. An ultimatum to the Croats around Mostar would be amply justified, would involve fewer political risks than that to the Serbs around Sarajevo, and would make it easier to maintain Russian support for a policy of firmness towards the Serbs.

It is good, too, that US and Russian officials are meeting with those of the EU and UN in Bonn today, to push forward the diplomatic process. Only if the US, Russia and Germany are very firm in urging concessions on their respective protégés in Bosnia is there any hope of peace.

Dinosaurs eye the PIA

The stakes in the [illegible] game of bluff and double bluff that the Securities and Investments Board (SIB) has been obliged to play with the more recalcitrant members of the life assurance industry were raised a further notch yesterday. In responding to a formal application from the Personal Investment Authority (PIA) to become the new unitary self-regulatory organisation for the retail investment business, SIB simultaneously announced that it was "minded to recognise" the PIA and "minded to refuse" recognition of the existing retail investment watchdogs, Fimbra and Lautro.

Behind the legal jargon lies a difficult set of calculations both for the regulators and the life assurers. The PIA has to achieve widespread support before Mr Andrew Large, head of SIB, can obtain the Treasury's permission to recognise the new unitary watchdog and bring down the curtain on its two predecessors. Yesterday's publication of a prospectus inviting applications to join the PIA constituted a formal start to this process.

The task is a formidable one, and not just because a handful of big insurers are hostile. If the PIA's claim to raise standards in retail financial services is to carry conviction, the new body will have to reject applications from people who are currently authorised to conduct investment business. That is not a recipe for popularity in the industry. Nor should it be.

Meantime the recalcitrants, who rank the Prudential and Standard Life among their number, have to ask what they can achieve by continuing to oppose the changes to the existing regime. They would also be well advised to ensure that a dignified means of retreat is available if their arguments fail to carry the day. Or, indeed, if they succeed. Treasury ministers may not relish being railroaded into unwelcome policy options, any more than the insurance companies enjoy changing their ways to suit the regulators.

Repeated scandals

Part of the problem is that many opponents of the proposed new structure [illegible] from the assumption that they were promised self-regulation under the original 1986 Financial Services Act regime and are still entitled to it. This is hopelessly unrealistic in the light of repeated scandals to do with the industry's sales practices. Public confidence has been severely dented and will not be restored without some clear indication that the system is being significantly strengthened. Against that background the special pleading from leading practitioners about a surfeit of public interest representatives on the PIA's board is a public relations disaster which undermines the credibility of the whole industry.

Genuine alternative

Nor does it help to suggest that statutory regulation provides a genuine alternative to the problem. In the long run it may or may not be, but there is a crisis in the here and now, and one which urgently needs to be addressed. To suggest that consumers of financial services should be allowed to wait for several years while a statutory alternative is put in place looks, at best, disingenuous. At worst it risks being interpreted as an attempt by the life assurers to make hay for as long as possible before the whistle is blown.

A unitary retail watchdog makes sense in a financial world where the organisational boundaries between banks, insurers and other managers of personal savings have become anachronistic. There are undoubtedly shortcomings in the present process of accountability to parliament. It remains to be seen how effective [illegible] the PIA might become. And there will no doubt be arguments about specific elements of the PIA's prospectus and its accompanying document on the new body's approach to regulation.

But only an industry suffering from extreme myopia would fail to recognise that SIB's current approach is the only half-decent damage limitation exercise on offer. The hostile insurers do no service to their shareholders, policyholders or the general public by failing to offer their support. They should wake up and shut up. The PIA is better than an interminable wait for an ideal system that may or may not materialise in the year [illegible].

Honda climbs out of the front seat

Kevin Done examines the end of a special relationship between the Japanese carmaker and Rover

When Honda took its minority equity stake in the Rover group four years ago, it was the symbolic value – not the size of the stake nor the financial valuation – that was crucial.

The 20 per cent holding was the cement in a relationship unique between Japanese and European carmakers. It made the relationship long-term and set it apart from any other collaboration the two groups might have had with other carmakers at the same time.

Honda's decision yesterday to sever this equity link is just as crucial, and just as symbolic. It says that the [illegible] special relationship is over. The cement has crumbled.

When BMW emerged three weeks ago in London as the triumphant buyer of British Aerospace's 80 per cent holding in Rover, Mr Bernd Pischetsrieder, BMW chairman, voiced the pious hope that "in this new [illegible] Rover [illegible] will naturally continue its agreements with Honda in every respect".

That hope was dashed yesterday. The ending of the equity link at [illegible] too, [illegible] of a grander global alliance between Honda on the one side and BMW-Rover on the other.

BMW has caused Honda seriously to lose face at home. Honda's European strategy was different to that of its domestic rivals Toyota and Nissan. As Mr Nobuhiko Kawamoto, Honda president, admitted yesterday, the strategy had been built to an important extent around collaboration with Rover, and it is in tatters.

All the same [illegible] Honda and BMW are [illegible] rivals in the world [illegible] market, particularly in the US, where Honda's separate luxury performance brand Acura competes head-on with BMW. Both have built their brand images on engineering excellence and high performance with a heavy accent on motor sport.

Yesterday's session in Tokyo ruled out any joint Honda-BMW alliance. What now must be determined is the pace and manner of the disengagement of the industrial links between Honda and Rover.

With [illegible] Mr Kawamoto said only that "the series of contracts now existing between Honda and Rover will be reviewed in future [illegible]".

"Until now our European strategy has included collaboration with Rover. In the future we intend to create a more [illegible] operation in Europe, using our own resources." The relationship was unmistakeably being reduced to only a "series of [illegible]".

As far as Mr Pischetsrieder was concerned, yesterday's one-and-a-half hours of talks had been conducted in a "friendly" atmosphere. The [illegible] of Mr Kawamoto's later public statement apparently came as a surprise to the urbane BMW boss.

But there can be no excuse for any more surprises. Honda has spelled out its unhappiness and anger at the takeover of Rover by BMW through the symbolic cutting of the equity link.

Now it is time for the realpolitik. The most pressing questions are how long should the Honda-Rover relationship take to disentangle, and how disruptive should the process be to either party? Rover is now only a pawn in this process. The decisions will be made in Tokyo and in Munich.

It is in Honda's power to disrupt very quickly a significant part of Rover's car production, if it were to choose to invoke the three-month termination clauses of its licensing agreements. These cover products such as the Rover 600 executive car – launched last year and produced at Rover's Cowley, Oxford, plant; the Rover 400 family car – produced at Rover's Longbridge, Birmingham, plant; and the Honda [illegible] gearbox, which Rover produces at Longbridge for fitting with its own 2-litre T-series engine in several of its products.

While Honda so far has [illegible] privately to spelling out the potential strength of the cards it has in its hands, BMW was at pains yesterday to [illegible] privately that it expected all Rover's [illegible] projects with Honda to continue. It would not be in Honda's commercial interest to abandon them.

A similar view emerged yesterday from the all-important components suppliers in Europe, which play a vital role in the success of both the Honda and Rover operations, and which in many cases supply identical parts for the Honda [illegible]-Rover 200/400 and for the Honda Accord-Rover 600. *They expect existing programmes to continue.*

"We don't feel unease at the [illegible] because we think it is highly unlikely that Honda will enact a Domesday scenario," said a leading components supplier. "But they will [illegible] it down over time. There is a lot of money involved. They will not cut off their nose to spite their face."

The [illegible] Honda Accord and Rover 600 were only launched last year. While Rover produces the 600 under licence at its Cowley plant, and Honda produces the Accord at its own [illegible] Swindon assembly plant, the supply programme is closely woven together with a largely [illegible] supplier base. At the same time, Honda supplies 2.0- and [illegible] engines for the Rover 600 from its Swindon engine plant, while Rover supplies Honda with the Accord's body panels from the Rover stamping plant at Swindon.

If commercial [illegible] dictates that the present generation Accord-Rover 600 programme is left undisturbed, this alone will ensure that the Honda-Rover industrial links cannot be severed [illegible] yet.

More vulnerable to potential disruption could be the so-called project Rover Theta-Honda HH. This is the new-generation family car that Honda and Rover are developing as the replacement for the present [illegible]. The project is already at an advanced stage, however.

Honda Europe said yesterday that many of its suppliers were "already tooling up and getting ready" to supply components for the car. Its Swindon plant has 201 suppliers in Europe and [illegible] are [illegible] common suppliers to Rover.

"We would be very surprised if Honda pulls out of this programme given the level of investment that has been made and how close they are to getting it into production," said another leading UK components supplier yesterday.

If Honda allows the Theta-HH programme to go ahead – Rover will produce its [illegible] under a licensing agreement – the [illegible] companies will be forced to maintain close ties beyond the year 2000.

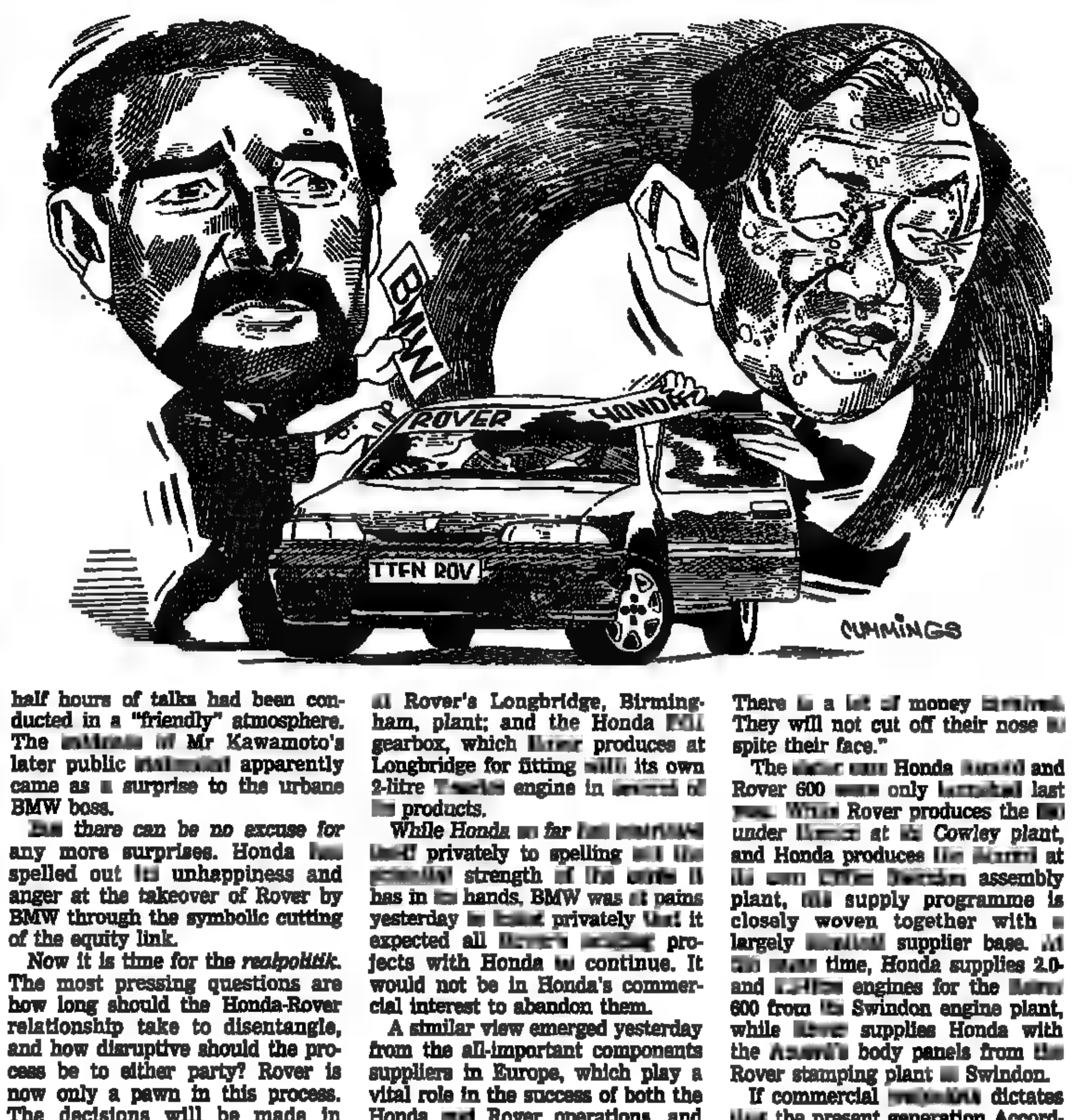
The [illegible] of the components supply programme and the [illegible] of scale also suggest that Honda can hardly sensibly drop Rover. Last year Rover production of its 200/400 version of the current generation car [illegible], compared to production of only [illegible] by the much [illegible] Concerto. The one-to-four production ratio in favour of Rover is likely to be repeated with the new car.

Other [illegible] that [illegible] Honda-Rover projects – in production and under development – will [illegible]. The Japanese carmaker is still relatively weak in Europe. Its total new car sales across 17 markets in west Europe amounted to only 162,000 last year, giving it a [illegible] European market share of 1.4 per cent compared with the 3.5 per cent of Nissan and the 2.8 per cent of Toyota.

At home, Honda is experiencing [illegible] overcapacity, which could prove expensive to [illegible] in the middle of recession, where three [illegible] years of declining sales are sapping the company's finances. In the vital US market, where the Accord was once all-conquering, the car has been [illegible] from its perch as the best-seller in the US. Honda is having to invest heavily in a much more aggressive marketing campaign to try to halt the decline.

In Europe, Rover always represented a low-cost way into a market where Honda was weaker than its Japanese rivals. It will now shut the door on the transfer of technology to Rover, which will have to look to the future. It has already learned well from BMW to ensure that it [illegible] on the path towards becoming a [illegible] producer. Honda will drop Rover in the long run, but the UK carmaker may still be able to secure a soft landing until Honda is in a position to cut all links.

Additional reporting by Michiyo Nakamoto



Antony Thorncroft on the man who made Mori

Poll vaults and politics

It is [illegible] years ago to the day that Mr Bob Worcester, an American with a background in [illegible] consultancy, set out to pioneer "[illegible] decision research" in the UK. Four years later he [illegible] Mori, which today is the UK's largest independent research company. Tonight, leading figures from British industry and politics will gather in London to [illegible].

His mission, in 1969, was to persuade British companies to find out, through research, what their employees, their shareholders, and the public at large, thought about them. He originated the mantra: [illegible]; involvement; persuasion; action. In the intervening years he has worked for most of the top hundred companies in the UK; for local authorities; for the government; and, most famously, for the political parties. He has become, not unwillingly, the public [illegible] of British [illegible] research in general and opinion polls in particular.

Mr Worcester did not find it hard to attract customers. "I had three clients in 24 hours." He enjoyed an after-glow [illegible] prime minister Harold Wilson's 'white heat of technology': companies were caught up in the general [illegible] for innovation and new approaches in management, especially when presented by an American who had worked for McKinsey, the US management consultancy.

By providing British industry with empirical research on changes in consumer tastes and public attitudes, Mr Worcester can claim a small but significant part in helping business to respond more effectively to the developing marketplace over the past 25 years.

If industry has gained so, too, has Mr Worcester. He has rejected all takeover approaches for Mori and now controls a research company with a turnover of £10m, employing 130 full-time staff and another 1,150 part-time interviewers in the field. In 1988 he cashed in on his success by selling 25 per cent of Mori to 3i, the venture capital group, for £2m.

Though industry and the government provide the vast bulk of the work, it is for his research in the political field that Mr Worcester is best known. This [illegible] him because "in an average year political polling accounts for 4 per cent of our turnover; in an election year it is 7 per cent", though his influence in government is far greater than these figures suggest.

Within a year of his arrival in the UK he had introduced the Labour party to private polling. He was soon a confidante of Lord Wilson. "Harold was the [illegible] client I ever had. He got more out of me than anyone before or since." Mr Worcester did not always provide the Labour party with good news. But he was employed for 17 years before becoming a casualty of the shake-up [illegible] by Labour's then communications director Mr Peter Mandelson in the mid-80s. Mr Worcester has [illegible] for *Conservative* [illegible] *Office, but* most of his energies go into political polling for the media.

Of course, opinion polls can get it wrong, [illegible] disastrously at the 1992 general election when the predicted Labour victory failed to materialise. Mr Worcester has tried to learn from the experience; he has employed a [illegible] to find out what went wrong. Mr Worcester's explanation for the election [illegible] was that a late shift by voters, worried by Labour's tax plans and the prospect of a hung parliament, won the day for Mr John Major. He claims not to have lost a single client as a result of what he described as "a black day for polling".

Half of Mori's projects now come from the public sector, an indication of the importance attached by [illegible] to research. Mr Worcester is currently working for the Local Government Commission, finding out what people on the ground want from the proposed re-organisation of local government. On one [illegible] the commission [illegible] to ignore Mori's findings and, Mr Worcester says, paid the price when its recommendations were [illegible] by the public.

Mr Worcester has survived as technology has advanced. Clients can now be given [illegible] hour after a questionnaire has been [illegible] for evaluation. But, unlike the US, where most research is [illegible] by telephone, he prefers face-to-face interviews because, at least in the UK, they are cheaper and more comprehensive.

Bob Worcester: poll pioneer

He sees growth [illegible], mainly in India, Mexico and Brazil, where he has set up joint companies. But it is in London that Mr Worcester has made his greatest mark. [illegible] on exploiting relatively narrow areas of corporate and political research, [illegible] from [illegible] in high places. As the international [illegible] he may find it harder to thrive in the bigger pond.

OBSERVER

Hot wires in Tokyo

■ The [illegible] don't normally [illegible] on other people's walls, especially in Tokyo. So when the local headquarters of the US [illegible] giant [illegible] was sprayed with an anti-US slogan, [illegible] and [illegible].

[illegible] that yesterday's anti-Motorola graffito, sparked by a US threat to impose [illegible] on Japan [illegible] Motorola is [illegible] better, is in particularly bad [illegible]. In typical Japanese style, it amounts to no more than a polite cough by US or even European standards. "Crush the hard-selling diplomacy of US imperialists . . . ," it reads. Tokyo has not yet resorted to the [illegible] of America's Japan-bashers in [illegible] disputes. Sledgehammers have not been taken to Motorola's mobile phones.

Still, tempers are clearly beginning to hot up in the nine-year-old trade dispute, despite Prime Minister Morihiro Hosokawa's contention that Japan and the US have just embarked on a truly adult relationship.

Not gilty?

■ Is Merrill Lynch a contrarian indicator for trends in UK government securities? When the US securities house pulled out of the gilts market in the late 1980s because the latter was overcrowded and unprofitable, it had to sit on its hands and watch a really spectacular bull run.

Now, just as it has been granted permission to become a gilt-edged marketmaker once again, the market is suffering a serious bout of weakness. No doubt this time round, though, Merrill has had to reassure the Old Lady of its stamina.

Making up

■ Just how far will US President Bill Clinton go to mend fences when he meets Britain's prime minister next week? After the rows over Ireland and Bosnia, there is plenty of groundwork in need of urgent repair.

An invitation to sleep for one night in the White House sounds jolly generous, especially since the last British prime minister to do it was Sir Winston Churchill. But the US administration's eagerness to rebuild the special relationship has its limits – notably supporting the UK's nominee for the head of the Paris-based Organisation for Economic Co-operation and Development.

[illegible]r put Lord Lawson up for the job, but word is that Washington, which picks up much of the tab for the £125,000-a-year post, is preparing to veto that idea.

The Americans believe that the OECD, after a decade in the hands of the monetarists, would benefit from a secretary-general who made economic growth, not [illegible] of inflation, his priority. Clearly no one told them about the Lawson boom.

'There's [illegible] or ice-skating or [illegible] ice-skating'

Celtic manoeuvres

■ BAT Industries doesn't seem to be having much luck hanging on to the investment chieftains of its Allied Dunbar insurance operations.

First Hugh Jenkins (a Welshman) jumps ship to run the investment side of the Prudential. Now Ken Inglis (a Scot) is off to rejoin his [illegible] countrymen at Flemings, despite being offerred the prize of running the much bigger combined Eagle Star and Allied Dunbar fund management business.

Surely, a politically incorrect company like BAT can tell its headhunters [illegible] only English fund managers will be [illegible] for the [illegible] post of its investment supremo.

Journo-list

■ The race is on for the top [illegible] at *Le Monde, the* venerable French daily paper. [illegible] Lesourne, who resigned [illegible] this month after months of wrangling over cost-cutting, was the first non-journalist ever to hold the post of publisher.

Although [illegible] managed to cut Le Monde's heavy losses, he was unable to tame the paper's rather eccentric team of journalists. No surprise then to see Le Monde returning to its old form. The two candidates for the top job are both journalists – Bruno Frappat, editorial director, and Jean-Marie Colombani, his deputy, who has bid for the post before.

Le Monde wants to avoid a repetition of the six-year-long power struggle which preceded Lesourne's appointment in early 1991. In the past, the paper's staff has chosen its candidates in Swiss-style primary elections. This time the management dispensed with that formality and [illegible] its own candidates to stand. The journalists will [illegible] Frappat and Colombani on [illegible] 4.

On past form, the management [illegible] seems unlikely to proceed as smoothly as the [illegible] suggests.

Body blow

■ When John Russell, [illegible] looked into the mirror first thing yesterday morning it was to practise his [illegible] to the FT's London motor conference. *What he should have* been taking was a crash course in damage limitation. Before he had even got up to speak, news hounds were thrusting microphones under his nose. Forget the guff about customer satisfaction – what did Russell think of the [illegible] news from Japan? "I felt like the drama critic who went to describe a play and wound up reporting the [illegible] of the president," says a bruised Russell.

Car numbers

■ OK. So Honda's decision to sever its links with Rover might make life more difficult for BMW, Rover's new owner. But don't [illegible] what attracted BMW in the first place. Its 3, 5 and 7 series meld perfectly with [illegible] 2, 4, 6 and 8 series . . . Sounds like a perfect fit rather than a [illegible] gamble.

FINANCIAL TIMES
Tuesday February 22 1994

Intractable opposition to Norwegian ambitions

EU entry talks struggle to find accord on fishing

By David Gardner in Brussels

The European Union was last night struggling to find a [illegible] line on the [illegible] industry in [illegible] EU membership negotiations [illegible] Austria, [illegible] Finland [illegible] Norway, which restart today in [illegible] increasingly [illegible] [illegible] of concluding by [illegible] 1.

Intractable opposition from Spain, [illegible] on future fish-[illegible] arrangements could prevent agreement [illegible] entry [illegible] four, EU negotiators predicted.

The Norwegians "can only [illegible] if we can agree" [illegible] ourselves, one [illegible] negotiator said [illegible] yesterday's impasse.

Norway wants to retain control over its rich fisheries resources, but at the same time to have full access to the EU market for its fish products from [illegible] day [illegible] member, [illegible] access [illegible] Union [illegible].

Spain, [illegible] along with Portugal joined the EU in 1986, will not [illegible] full access [illegible] the Union's [illegible] until [illegible] persuaded [illegible] partners yesterday that Norway, [illegible] Finland, [illegible] not be offered a deal which "discriminates" against existing member [illegible].

"We're saying [illegible] for them [illegible] than [illegible] for us," [illegible] Spanish negotiator [illegible].

Foreign [illegible] of the 12, meeting yesterday, [illegible] European [illegible] to [illegible] "best possible [illegible]" [illegible] Union fishing [illegible] – tacit acceptance of Spain's [illegible] in Norwegian waters, from [illegible] [illegible] Norway [illegible] repeatedly [illegible] to countenance any further access for the EU.

The 12 could not agree on market access for Norwegian fish. France and Ireland produced a joint paper yesterday calling for restrictions on Norwegian salmon, herring [illegible] mackerel entering [illegible]. The [illegible] concerns about cheap Norwegian salmon imports, but held back from supporting import quotas. Ministers were last night trying to agree on some form of safeguards regime against sudden import surges.

The fisheries issue was one of the most insuperable obstacles in the last enlargement to take in Spain and Portugal, and nearly sank the European Economic Area treaty which created a free trade zone between the 12 and the four applicants plus Iceland.

IG Metall sets date for strike action

By [illegible] in Frankfurt

IG Metall, [illegible] German engineering workers' union, is set to begin strike action in the north German state of Lower Saxony on March 7, the union's leadership said in Frankfurt yesterday.

If strike action in Lower Saxony failed to force the employers to agree to the union's demands within two weeks, the strike would be broadened through northern Germany, threatened Mr Klaus Zwickel, IG Metall [illegible].

Despite [illegible] stance, Germany's biggest union was at pains to spell out that it had no wish to drive companies to the wall during the country's severe recession.

The choice of Lower Saxony was designed to minimise the impact of the strike on German industry, Mr Zwickel said. "We want to make it absolutely clear that we want to avoid massive social conflict."

Union members would be balloted on March 1-3. The decision to postpone any further strikes until two weeks after the beginning of a strike in Lower Saxony was further evidence of the union's desire to avoid conflict, Mr Zwickel argued.

The strike would initially affect only 90,000 workers at 230 companies. If it spreads to Hamburg, Bremen and Schleswig-Holstein, a further 170,000 workers at 380 businesses would be involved.

The numbers are small compared to the 1m metal workers in the state of Baden-Württemberg in the south-west, traditionally an area where strikes have started in order to have maximum impact.

The union also stressed that it [illegible] to avoid disruptive knock-on effects and would steer clear of the sectors worst hit by the current downturn.

IG [illegible] [illegible] seem designed to put pressure on the Gesamtmetall employers' association to reach [illegible] compromise in pay talks which broke down after both sides had made [illegible]

Tough line on lorry ban

Continued from Page 1

Raffaele Costa, Italian transport minister, said yesterday: "Even if the Swiss are talking of introducing these measures over a period of 10 years to allow plans for [illegible] transport, [illegible] will [illegible], if [illegible] impossible." [illegible] pointed [illegible] environment considerations already [illegible] transalpine [illegible] in both [illegible] and Austria.

In Bonn, the transport ministry said: "This is a European problem. Purely national solutions are not acceptable."

The German association of long-haul carriers denounced the move as "a further step for Switzerland on its way towards isolation in Europe". The association warned that the move would lead to traffic problems in neighbouring France, Austria and in the southern German state of Baden-Württemberg.

The association said it would lobby Brussels to threaten Switzerland with reciprocal measures for Swiss trucks, such as forcing them to use railways only.

Austria believes the Swiss decision will strengthen its hand in negotiations for entry to the EU.

Mr Viktor Klima, Austria's transport minister, said Austrian voters would support EU entry only if a 12-year transit treaty with the EU due to run until 2004 remained intact.

Russia lifts floor for banks' capital

By Leyla Boulton in Moscow

Russia ordered a 20-fold increase in the minimum capital requirement for commercial banks yesterday in an attempt to flush out hundreds of small, under-capitalised banks.

Mr Dmitry Tulin, deputy governor of the central bank, said that from next Monday the minimum capital requirement for [illegible] would be increased to Rbs2bn ($1.27m at [illegible]) [illegible] present threshold of Rbs100m.

Existing banks, [illegible] well [illegible] to [illegible] Monday, will be given until January [illegible] to increase [illegible] to Rbs2bn. [illegible] 1999, the [illegible] capital requirement for all players will [illegible] a European [illegible] of Ecu5m ($5.5m).

Mr Tulin [illegible] that, in [illegible] dating the banking sector, the aim [illegible] protect depositors, reduce money-laundering and help [illegible] compete internationally.

Agricultural co-operative banks, which the [illegible] countryside, would be exempt from [illegible] requirement. They [illegible] keep the [illegible] old. Another threshold of [illegible] for [illegible] which [illegible] deposits from the population.

With inflation of around 20 per [illegible] month, unchanged minimum capital requirements [illegible] made it increasingly easy to start [illegible] bank.

"A situation [illegible] entrepreneurs [illegible] of either buying a good car or setting up a bank [illegible] paradoxical [illegible] abnormal," Mr Tulin told a news conference.

In spite of the fact that many of [illegible] are small and under-capitalised, many of the threats to Russian banking come from bigger banks, in particular those owed large sums of money by ailing enterprises which also happen to be their shareholders.

Mr Andrei Tsumailo, vice-president of Most-Bank, one of Russia's big private commercial banks, hailed the plan's 1999 target as a "reasonable long-term goal". But he believed that in the shorter term many banks' shareholders, such as ailing industrial enterprises, would be unable to [illegible] capital. At best, [illegible] companies [illegible] have to divert [illegible] investment "in an [illegible] which is under-capitalised [illegible] sector".

Mr Tulin [illegible] banks [illegible] not [illegible] new requirements would [illegible] with bigger institutions [illegible].

Bosnia

Continued from Page 1

United Nations security council this week to put Sarajevo under UN administration. It was vital, he said, to build quickly on the [illegible] of Nato's ultimatum.

Mr Douglas Hurd, UK foreign secretary, echoed the need to maintain momentum. "Now we have a beginning, possibly the beginning of the end of the nightmare," he said, after talks in Paris with Mr Edouard Balladur, the French prime minister.

Mr Alain Juppé, the French foreign minister, said that US and Russian involvement would be necessary to secure a broader peace in Bosnia. "Their participation is what made progress possible," he said.

Greece warned over 'illegal' embargo

Continued from Page 1

already fragile confidence [illegible] the impartiality [illegible] presidency. Significantly, [illegible] high-level diplomatic meeting [illegible] and former Yugoslavia [illegible] place in Bonn today. "Germany (the [illegible] EU president) [illegible] over four months early," said [illegible] diplomat.

Mr [illegible] Lamassoure, [illegible] minister for European affairs, [illegible] the [illegible] raised [illegible] tions [illegible] the arrangements [illegible] the rotating presidency in [illegible] enlarged European Union. Though it was [illegible] time to settle the matter in the heat of a crisis, [illegible] would "draw [illegible] all information" ahead of the [illegible] intergovernmental conference [illegible] the operation [illegible] Maastricht treaty.

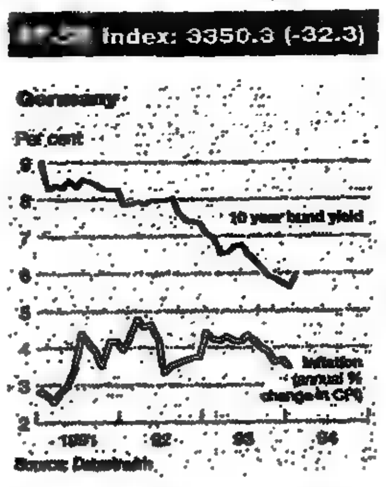
THE LEX COLUMN

Unravelling bonds

There is something perverse about the weakness of European bond markets. Inflation is well under control in the main European economies. The continental recovery has barely started, while in the UK a sizeable output gap remains. The weak oil price hardly indicates general concern about inflation. The nervousness obviously reflects worry about the New York bond market, but that is only part of the story.

There has also been a shift in sentiment among the large US hedge funds, which until recently have given bond markets an upward momentum of their own. Their leverage means they cannot afford much capital loss. It was time for them to start worrying when yields stopped falling at the turn of the year. The risks became all the greater after the Federal Reserve began to tighten. Since then, a vicious circle appears to have developed: the more bond prices fall, the more they are forced to sell.

Such fickle investors may have deluded governments about the ease with which their deficits could be funded. Now comes the question of who will step into the breach. Domestic European investors show no real signs of selling, but they are reluctant to buy bonds yet because, probably rightly, they believe prices could fall further before the hedge fund sales are absorbed. Once the immediate storm is passed, judiciously timed cuts in short-term interest rates would help continental markets. That would encourage investors to shift out of time deposits, replacing some of the US liquidity which has evaporated. It would be a pity if the Bundesbank were constrained by a false concern that the bond market has been sending a message about inflation.



Source: Datastream

BMW/Honda

Given how angry – and embarrassed – Honda must be, its rebuff to BMW may be the least that it could decently [illegible] away [illegible] strategy in Europe has spectacularly collapsed, while Toyota and Nissan's self-reliance has been vindicated. Daring to be different and then failing must be doubly uncomfortable in a country where conformity is an art form. Honda had to be seen to respond to the slight BAe delivered when it sold Rover to the cheeky Bavarians. It also views BMW as a serious competitor, particularly in North America. The prospect of BMW pitching up at Honda's Swindon plant, displaying its 20 per cent shareholding in Honda UK and demanding to see the books, must have caused a few sleepless nights in Tokyo. But if severing equity links marks a clear change of strategic direction and restores some lost face, commercial [illegible] demand [illegible] connections. Replacing [illegible] engine orders or cutting overheads by enough to offset the lost volumes would [illegible] very difficult, especially given [illegible] Japan's [illegible] industry. Abandoning [illegible] jointly-developed replacement for [illegible] Rover 200/400-Honda Concerto would also be very expensive revenge.

However painful, the prospect is thus for continued operational involvement between the two companies. That leaves BMW free to invest in developing Land Rover and a new small car. Honda, having fallen behind its domestic rivals, will have to spend heavily on beefing up its European presence. The lessons of trying to co-operate with short-termist westerners are unlikely to be lost on the rest of corporate Japan.

Granada/LWT

By the supercharged standards of recent media bids, Granada's offer for LWT does not appear wildly generous, representing a multiple of a mere 27 times historic earnings. LWT is trading strongly. There is a natural desire not to sell out successful management. A higher bid is always possible, especially if the rules regulating cross-ownership of the media are changed. Such thinking may yet tempt LWT shareholders to reject Granada's bid.

Stand back from the fray and it is not clear that ITV contractors have a particularly [illegible] future. In [illegible] Act, the [illegible] industry [illegible] up to commercial reality and [illegible] costs with a [illegible] fuelling the sector's striking [illegible] price [illegible]. But [illegible] process [illegible] exhausting itself. [illegible] will now be [illegible] won through [illegible] advertising and programming sales.

Yet ITV contractors are facing increasingly [illegible] competition for [illegible] Channel 4 [illegible] well [illegible] and [illegible] operators. Their fixed-term [illegible] represent [illegible] depreciating [illegible]. A secondary market for their television programmes has not yet developed. There is an over-capacity of production facilities. Mature television companies would be unlikely to sustain current valuations in the absence of takeover frenzy.

The [illegible] bids is being driven by the [illegible] occurs in any industry when regulation is relaxed. In that process, insiders can invariably afford to pay more than others due to the cost savings that can be achieved. No other bidder has emerged to match Granada's terms. That is perhaps not surprising, given Granada is offering twice the price LWT's shares were trading at before the bidder took its stake. The real issue is whether Granada is offering too much rather than too little. LWT shareholders should be grateful for its generosity.

British Land

[illegible] agreement [illegible] buy a 29.9 per cent stake in Stanhope highlights how Mr [illegible] Ritblat conjures up deals that no one else dreams possible. His [illegible] be to buy a cheap seat at the negotiating table to influence Stanhope's restructuring. The longer term goal must be to prise free the attractive Broadgate and Ludgate developments. Whether that is possible depends on how well Mr Ritblat can arm wrestle with Stanhope's bankers. He will have to convince them to take a painfully large debt write-off to ensure Stanhope's future viability given the company is still bleeding cash.

Stanhope has been trying to stage a rights issue to recreate its balance sheet. But that is difficult when the biggest shareholders cannot afford to inject fresh funds. British Land may hope to underwrite that rights issue in return for access to Stanhope's assets. But Stanhope's puzzled response to British Land's approach suggests the negotiations will be tortuous.

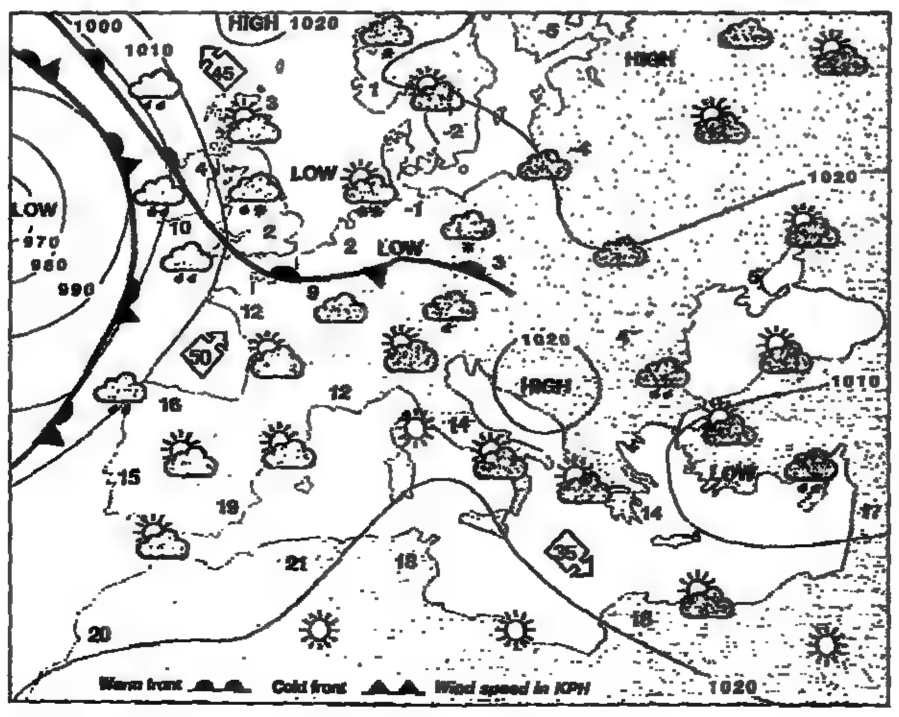
FT WEATHER GUIDE

Europe today

[illegible] disturbance over the North Sea will cause widespread snow showers in coastal areas. Benelux, northern Germany and northern France will be cloudy with light snow. Southern France, the Alps and south-eastern Spain will have scattered cloud, while Portugal and north-west Spain will be cloudy with outbreaks of rain. This rain will come with mild Atlantic air pushing north-east, and the same front will bring rain to Ireland and south-west England. The eastern UK will have morning sun but by late afternoon there will be rain and sleet. The Balkans will be overcast with rain and snow in the mountains. The eastern Mediterranean will be sunny with occasional showers.

Five-day forecast

Mild and moist Atlantic air will spread as far as Benelux and Scotland, leaving northern and eastern Europe wintry. In the [illegible] zone it will be overcast with rain or snow. Very unsettled conditions will stay in the eastern Mediterranean with widespread showers. Southern Italy will continue to have showers. Central Europe will be dry at first, but rain [illegible] is likely later in the week.



Situation at [illegible] GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Celsius
Abu Dhabi	sun	29
Accra	fair	33
Algiers	sun	21
[illegible]	cloudy	[illegible]
Athens	shower	12
B. Aires	fair	33
B.ham	[illegible]	2
Bangkok	[illegible]	[illegible]
Barcelona	sun	15
Beijing	sun	[illegible]
Belgrade	[illegible]	[illegible]
Berlin	snow	1
Bermuda	fair	23
Bogota	fair	21
Bombay	[illegible]	[illegible]
Brussels	[illegible]	[illegible]
[illegible]	fair	[illegible]
C.hagen	[illegible]	0
Cairo	fair	[illegible]
Cape Town	sun	[illegible]
[illegible]	fair	[illegible]
Cardiff	[illegible]	4
[illegible]	cloudy	0
Cologne	cloudy	[illegible]
D'[illegible]	[illegible]	[illegible]
[illegible]	sun	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	sun	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	rain	6
Dubrovnik	[illegible]	[illegible]
Edinburgh	cloudy	[illegible]
[illegible]	[illegible]	17
Frankfurt	cloudy	[illegible]
Geneva	cloudy	5
Gibraltar	fair	18
Glasgow	[illegible]	[illegible]
Hamburg	[illegible]	-2
Helsinki	[illegible]	[illegible]
Hong Kong	cloudy	[illegible]
Honolulu	fair	[illegible]
Istanbul	fair	10
Jersey	rain	7
Karachi	hazy	29
Kuwait	fair	[illegible]
L. Angeles	[illegible]	16
Las Palmas	[illegible]	[illegible]
Lima	cloudy	[illegible]
Lisbon	[illegible]	[illegible]
London	cloudy	[illegible]
Lux.bourg	[illegible]	[illegible]
Lyon	cloudy	6
Madeira	[illegible]	[illegible]
Madrid	[illegible]	13
Majorca	[illegible]	17
Malta	[illegible]	[illegible]
[illegible]	[illegible]	2
Manila	fair	31
[illegible]	sun	30
Mexico City	sun	22
[illegible]	[illegible]	[illegible]
Milan	hazy	7
[illegible]	sun	-4
Moscow	[illegible]	-4
Munich	cloudy	[illegible]
[illegible]	[illegible]	27
[illegible]	[illegible]	15
[illegible]	fair	28
New York	[illegible]	[illegible]
[illegible]	[illegible]	11
Nicosia	[illegible]	17
[illegible]	snow	-3
[illegible]	cloudy	[illegible]
[illegible]	fair	31
[illegible]	[illegible]	[illegible]
Rangoon	[illegible]	34
Reykjavik	cloudy	[illegible]
Rio	sun	[illegible]
[illegible]	sun	28
Rome	[illegible]	13
[illegible]	[illegible]	12
[illegible]	[illegible]	5
Singapore	[illegible]	31
[illegible]	[illegible]	-2
[illegible]	cloudy	7
Sydney	[illegible]	[illegible]
Tangier	cloudy	18
Tel Aviv	[illegible]	[illegible]
Tokyo	[illegible]	9
Toronto	fair	-5
[illegible]	sun	18
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	4
[illegible]	[illegible]	-1
Washington	[illegible]	8
[illegible]	[illegible]	[illegible]
Winnipeg	fair	[illegible]
Zurich	fair	[illegible]

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

S&P downgrades VW and Fiat debt

The debt ratings of the Volkswagen and Fiat groups, two of the big six west European car-makers, have been lowered by Standard & Poor's, the international credit rating agency. Page 16

Decision time at Air France
Make or break time is fast approaching for Air France. Decisions taken over the coming weeks determine whether the loss-making [illegible] carrier can recover and whether it can be wrought into shape for privatisation. Page 16

Latin America on the rise
Latin America has [illegible] over recent weeks from a general movement of institutional money out of Asia. This is clearly indicated by a 20 per cent rise in dollar terms since the start of the year, compared with a 11 per cent fall in Asia. On a summary inspection Brazil stands out as the clear leader in Latin America this year.

IFC Latin American index

Back Page

Japanese chemicals react badly
Most of the Japanese chemicals industry is suffering from the worst recession since the second world war. A high cost base and strong yen, combined with a migration of the industry's customers to other Asian countries, are making Japan an impossible base for manufacturing commodity chemicals. Page 17

US move worries producers of bauxite
Bauxite producers are depressed by the decision of the US to reduce the strategic stockpile of the ore it has built up during the past 30 years. They fear the move will cut prices. Page 22

Bingo and Sea Life lift Vardon
Vardon, the fast-growing UK leisure group which owns the London Dungeon, more than doubled its pre-tax profits. Figures were by boosted by the 10 bingo clubs it acquired in May. Its Sea Life attraction in Blackpool had a record year. Page 20

Hanson refinances Quantum
[illegible], the Anglo-American conglomerate, announced plans to complete the [illegible] of Quantum Chemical Corporation's $2.35bn of junk bond [illegible]. Page 20

Alvis buys vehicle maker
Alvis, the UK defence contractor, has bought Unipower, the [illegible] of specialist vehicles for the military and [illegible]. Alvis is paying an initial £2m ($2.92m) for the lossmaking [illegible] Page 21

HunterPrint shares dive
Shares in HunterPrint, the UK specialist printing group, [illegible] 20 per [illegible] value yesterday after [illegible] expressed "fundamental [illegible]" over the going [illegible] assumption [illegible] accounts. Page 21

Textile group suffers from volatile trading
Leslie Wise, the UK [illegible] and [illegible] group, blamed a flat year-end performance on volatile trading conditions in the retail sector. Page 21

Companies in this issue

Market Statistics

Chief price changes [illegible]

FRANKFURT (DM)						
Rises				[illegible]		
Bayer-Hypo	468.5	+	12.5	[illegible]	520	+ 20
[illegible]	[illegible]	+	11	Parfinex	544	+ 13
Debit Werk	[illegible]	+	5.5	Pechiney Intl	214.5	+ 14
Dresdner Bank	422.8	+	12.8	Valeo	274.8	+ 8.4
Kloeckner Werke	[illegible]	+	4.8	Worms Cie	349	+ 13
Falls				Falls		
Metallgesell	210	−	8	Ecoplastex	357	− 18
NEW YORK ($)				TOKYO (Yen)		
Rises				Rises		
Boeing	45¾	+	1¼	Ando Const	890	+ 35
[illegible]	89⅝	+	1	Japan Syn Rubb	538	+ 38
McDonnell Doug	118¾	+	1½	Mokino Mil	673	+ 39
Motorola	[illegible]	+	2¼	[illegible]	[illegible]	+ 31
QVC	51½	+	1¾	Showa Denko	[illegible]	+ 27
Falls				Falls		
Merck	33¾	−	1	Koito Mnet	770	− 40
PARIS (FFr)						

New York prices at 12.30pm.

LONDON (Pence)						
Rises				Taylor Woodrow	[illegible]	+ 9
[illegible]	67	+	6	Thorn EMI	1131	+ 25
Border TV	200	+	25	Falls		
Control Tech	461	+	18	[illegible]		
Fill Group	305	+	10	Church & Co	445	− 18
Fairline Boats	402	+	[illegible]	Huntingprint	[illegible]	− [illegible]
Fencers	100	+	7	Osprey Comm	[illegible]	− [illegible]
Cow Accident	687	+	10	Tiphook	54	− [illegible]
Lloyds Chem	247	+	18	[illegible]	176	− 6
Office & Elec	53	+	6	Yorks-Tyne TV	335	− 28
Racal Elec	258	+	9			
Tarmac	194	+	8			

SBC achieves 36% profit jump

By Ian Rodger in Zurich

Swiss Bank Corporation has launched the big [illegible] bank [illegible] season in style with a sparkling 36 [illegible] in 1993 consolidated net [illegible] SFr1.37bn – well ahead [illegible] – and a proposed [illegible] per [illegible] in dividends.

Following the news, the group's [illegible] shares put on SFr18 to [illegible] in a rising [illegible]ich market.

[illegible] underlying [illegible] income growth rate, excluding extraordinary gains from large asset sales in 1992, was a much higher 80 per cent, thanks to very robust earnings from trading and commis[illegible] and modest [illegible] growth.

Also, the [illegible] year's prof[illegible] were severely depressed by [illegible] reorganising the group's private banking operations and integrating the [illegible] subsidiary.

Last year's earnings growth was [illegible] provisions of SFr2.8bn, 44 per cent more than in 1992. In common with all Swiss banks, SBC has suffered from a surge in bad loans, especially in the depressed Swiss property sector. The bank indicated earlier it would be taking advantage of its high profits last year to make provisions for every foreseeable risk.

SBC said yesterday the provisions [illegible] payments made [illegible] the former partners [illegible] O'Connor [illegible] which it [illegible] in [illegible].

The [illegible] net operating income jumped [illegible] per [illegible] to SFr9.2bn. Operating expenditure rose [illegible] cent to SFr4.7bn, mainly because of performance-related compensation to [illegible] employees, leaving [illegible] and provisions [illegible] SFr4.5bn, [illegible] per cent.

Total [illegible] per cent [illegible].

[illegible] return [illegible] equity [illegible] from 7.9 per cent to 10.2 per cent and [illegible] directors are proposing to [illegible] dividends [illegible] the first time since [illegible] on [illegible] share [illegible] from SFr14 [illegible] SFr16 while that on the registered [illegible] from SFr7 to SFr8.

[illegible] last year, shareholders will [illegible] offered [illegible] option [illegible] taking their dividends in [illegible] with warrants on [illegible] to [illegible] announced at the annual meeting on April 26.

The directors [illegible] proposing [illegible] SFr100m par value of authorised capital [illegible] in acquisitions [illegible] rights [illegible] plus [illegible] value [illegible] in [illegible]vertible [illegible] with warrants.

Richard Waters compares the latest US takeover wave with the 1980s version

Back in fashion, but with a different cut

At a casual glance, it looks as though the US takeover business is back to [illegible] ways. After three depressed years, takeover activity in 1993 nearly returned to the level of the boom years of 1988 and 1989. This week, cable television group Viacom won the biggest contested takeover battle of the 1990s [illegible] far, taking [illegible] a mountain of debt in the process.

Takeover fever has [illegible] way [illegible] feeding [illegible] itself, [illegible] company bosses compete to acquire what is seen as a diminishing pool of attractive corporate assets. "M&A is like the fashion business: it's certainly become fashionable to do it again," says the head of mergers and acquisitions at one Wall Street investment bank.

The fees being earned by advisers on Wall Street also echo the sort of money raked in during the last takeover wave. Fees for Smith Barney Shearson and Lazards, which acted for Viacom and Paramount respectively, have been put at $12.5m apiece.

However, the 1990s takeover market differs from the 1980s version in some important respects. Despite the knock-about $10bn tussle for Paramount, hostile bids are less common and acquirers use strategic arguments to justify their deals, rather than purely financial ones. Few people these days talk about the dangers of short-termism, a hot topic in the [illegible].

Another [illegible] is that much of the activity is focused in a narrow range of industries. In entertainment and telecommunications – or "multimedia" – and in healthcare a common theme is vertical integration, while banking is undergoing a steady consolidation. According to one estimate, 70 per cent of last year's takeover activity was in multimedia, healthcare and banking.

[illegible] changes, there have been two other underlying shifts in the M&A business. First, the takeover market is no longer [illegible] place where shareholders look first to replace poor managements [illegible] the [illegible] underperforming companies – one of its main functions in the [illegible]. Shareholders [illegible] willing to do the job themselves.

In [illegible] year, chairmen have been unceremoniously ousted from companies [illegible] diverse [illegible] IBM, [illegible] Express, Westinghouse and Kodak. [illegible] in [illegible] by such moves, [illegible] managers [illegible] become more willing to slash costs and sack workers, or to break up [illegible] companies.

Some of the biggest corporate deals have involved companies spinning off subsidiaries no longer considered central to their operations – Kodak's disposal of Eastman Chemicals, American Express's plan to spin off Lehman Brothers, Sears, Roebuck's move to shed Dean Witter, Discover. Such unbundling was the battle cry of the corporate raiders of the [illegible].

It [illegible] wrong to [illegible] the effects [illegible] shareholder activism, though. Company owners still [illegible] a tendency [illegible] only after the damage has been done. "The amount of value that was lost in those companies [which have sacked their chairmen] before they took action was truly extraordinary," says Mr George Baker, an associate professor at Harvard.

The [illegible] (often [illegible] up as [illegible]ers) [illegible] being justified on grounds [illegible] rather than price: [illegible] acquirers talk [illegible] achieving immediate financial [illegible] through [illegible] acquisition [illegible]. The danger for shareholders is that, while clothing [illegible] acquisitions in high-flown talk, [illegible] companies could [illegible] overpaying.

[illegible] reason [illegible] this shift is that [illegible] having spent years working [illegible] of 1980s' [illegible]ness, [illegible] begun to search for new [illegible] to expand [illegible] businesses. "They [illegible] milked [illegible] cutting – [illegible] they need to look [illegible] ways of creating revenues," says Mr Herb Allison, head [illegible] investment banking at Merrill Lynch.

Talk of strategic acquisitions is loudest in the healthcare sector [illegible] in multimedia – [illegible] telecoms, cable television and entertainment [illegible] converging. Both sectors are being reshaped through [illegible], with producers and [illegible] together to protect themselves in rapidly changing [illegible].

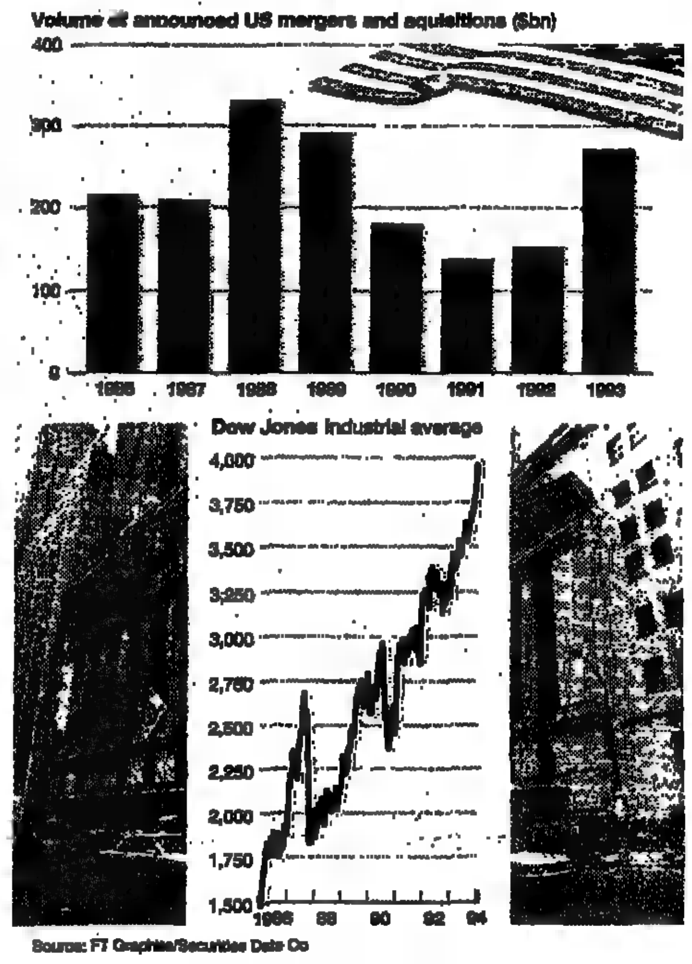
In the healthcare industry, a flagship [illegible] last year's $6bn acquisition [illegible] Containment Services, a [illegible] drugs distributor, by Merck, [illegible] world's largest pharmaceuticals company. This [illegible] for market [illegible] by [illegible] marked a [illegible] departure [illegible] other drugs companies groping [illegible] respond. [illegible] also led to 12 per cent earnings dilution [illegible] Merck [illegible] in the final quarter [illegible].

In [illegible] multimedia industry, shareholders [illegible] acquiring companies have [illegible] seen the value [illegible] fall. [illegible] in [illegible] Atlantic, which is buying TCI, [illegible] dropped from more than [illegible] before the [illegible] was announced to [illegible] yesterday. [illegible] takeover currency – [illegible] non-voting B shares – has slumped to half [illegible] summer's [illegible].

Investor concern has helped [illegible] prompt a shift in the financing [illegible]. Last year, on [illegible] of a soaring stock market, acquiring [illegible] companies for shares [illegible] all the [illegible] Viacom's [illegible] for Paramount was largely [illegible] as a stock-swap, but [illegible] financing [illegible] – with banks stepping into [illegible] breach – as Viacom was forced to [illegible] its bid and as [illegible] price came under pressure.

[illegible] bankers, [illegible] of [illegible] growth, [illegible] talk more ambitiously [illegible] a return [illegible] financing, with [illegible] profitable arrangement and standby fees. Against [illegible] background [illegible] a shaky equity market, [illegible] with a healthy junk bond market waiting in the wings, leveraged [illegible] could [illegible] about [illegible] their return.

A high time in [illegible]



Source: FT Graphite/Securities Data Co

BMW expects to regain ground

By Christopher Parkes in Frankfurt and John Griffiths in London

[illegible], the German carmaker, expects [illegible] boost its [illegible] by 20-30 per [illegible] much of the ground [illegible] in [illegible] when net profits slumped to about DM510m.

The company, which plans to take control of Rover Group, yesterday forecast a [illegible] per cent increase in deliveries [illegible] BMW models, and [illegible] income from the British business [illegible] earnings even [illegible].

The buoyant predictions [illegible] from BMW and [illegible] Group [illegible] understood to be preparing [illegible] Tokyo for [illegible] early next week with Rover's long-standing partner, Honda, on BMW's intended acquisition. The teams are expected [illegible] led by Mr [illegible] Pischetsrieder, BMW chairman, and Mr John Towers, Rover chief [illegible].

[illegible] a 20 per cent stake in Rover and has made plain its [illegible] and dismay [illegible] the [illegible] ($1.2bn) [illegible] BMW by British Aerospace of its 80 per [illegible] in Rover. The Japanese [illegible] indicated that its quarrel [illegible] not with [illegible] or BMW but with BAe.

Both European parties [illegible] persuade Honda not [illegible] withdraw from its collaboration with Rover and point to benefits in long-term [illegible] co-operation.

Earlier this week Mr Pischetsrieder [illegible] "considerably [illegible]" in [illegible] than had been planned by BAe. Yesterday, he vigorously denied rumours that BMW planned to reduce the Rover product range. He also repeated pledges that the British business would be run as an independent operation, adding [illegible] sales of DM40bn [illegible] and the [illegible] would offer job security at both companies.

Mr Pischetsrieder based his optimism [illegible] profits [illegible] new models due on the market this year, economic recovery in [illegible] and accelerating demand in the US. A compact, [illegible] version [illegible] of the [illegible] 3-Series, launched this week, was expected to bolster turnover. Further impetus would come from the new [illegible].

He [illegible] the greatest uncertainty [illegible] from unforeseeable exchange [illegible] variations, [illegible] the board was "well satisfied" with the situation.

Lex, Page 20; VW and Fiat debt ratings, Page 16

Rhône-Poulenc slides and sees no increase until 1996

By John Ridding in Paris

Mr Jean [illegible] Fourtou, chairman [illegible] Rhône-Poulenc, France's recently privatised [illegible] and pharmaceuticals group, yesterday expressed caution about [illegible] in the group's principal markets this [illegible], and [illegible] did not expect a substantial [illegible] in [illegible] until 1996.

Announcing a 36 per [illegible] fall in net profits to [illegible] ($163m) [illegible] in line with [illegible] given [illegible] the company [illegible] privatisation in November, Mr Fourtou [illegible] out[illegible] remained uncertain. The [illegible] of stabilisation rather than significant [illegible] in its main markets.

Mr Fourtou blamed the decline in profits on the [illegible] in Europe and the fall in prices of basic and agricultural chemicals. The price of acetic acid and soda, for example, declined sharply in the [illegible] from industrial customers.

Despite the fall in profits and the difficult markets, Mr Fourtou said the group had made progress in increasing the profitability and reducing debts. Net debt fell by FFr9bn during the year, from FFr33.7bn to FFr24.1bn. Cashflow improved from break-even in 1992 to FFr2.15bn.

The fall in debt was partly a reflection of the sale of assets, including the group's 36 per cent stake in Roussel-Uclaf. Mr Fourtou said the strategy of selling non-core assets, which brought proceeds [illegible] FFr6.1bn in 1993, would continue in an attempt to cut debts further.

In 1993, consolidated sales fell 1.4 per cent to FFr80.56bn. Operating income fell 12.8 per cent to FFr5.92bn, including restructuring provisions of FFr1.17bn. Provisions in the group's healthcare [illegible] sharply, from FFr5m to FFr616m, reflecting the conversion of a site in France and difficult markets in Italy and Germany after the introduction of healthcare reforms.

Declines also showed through in [illegible] group's [illegible] chemicals operations and in its fibres and polymers division. Profits in the latter division fell from FFr532m to FFr56m, while the organic and inorganic chemicals division suffered a loss of FFr78m compared with a profit of FFr528m in 1993.

The slide in these parts of the group was only partly offset by a 15 per cent rise in profits in the healthcare division to FFr5.69bn. Specialty chemicals maintained its contribution at FFr559m.

Lex, Page 14

Westland says GKN's bid threatens its international links

By Tim Burt in London

Westland, the UK helicopter manufacturer, yesterday warned that moves to restructure the company and forge overseas alliances could be undermined if the UK engineering group GKN succeeded with its hostile bid.

Mr Alan Jones, Westland chief executive, said the future of the group would not be enhanced in management techniques or military sales if GKN, which already manufactures armoured vehicles, won full control.

The engineering and industrial services group launched a bid for Westland last week after agreeing to lift its existing 28.2 per cent stake by acquiring 18.7 per [illegible] held by United Technologies, [illegible] US parent [illegible] Sikorsky helicopters.

Stepping up his opposition to the bid, Mr Jones said: "Our managers are encouraged to run the company with vision and courage. I'm not sure GKN can continue that."

He is expected to tell Westland shareholders at today's annual general meeting, when he will take over as chairman, that the company is well placed to win orders in partnership with overseas [illegible] such as McDonnell Douglas of the US and Agusta of Italy.

Westland is bidding with the US company for the UK Army's new [illegible] helicopter and [illegible] joined [illegible] with Agusta [illegible] develop the EH101 aircraft.

Mr Jones, who met Agusta [illegible] in Italy on Tuesday, said: "[illegible] have a strong relationship [illegible] they want [illegible] stay with the people they know. We [illegible] a deal running with McDonnell Douglas. GKN would [illegible] augment our ability [illegible] continue with such collaborators."

The engineering [illegible] respond yesterday.

Mr Jones, meanwhile, said Westland's two largest institutional shareholders – M&G and Schroders – have reaffirmed their opposition [illegible] GKN's offer.

Westland shares closed unchanged [illegible] a [illegible] per cent premium to the GKN [illegible].

INTERNATIONAL COMPANIES AND FINANCE

S&P downgrade for VW and Fiat debt ratings

By Kevin Done, Motor Industry Correspondent

The debt ratings of [redacted] Volkswagen and Fiat [redacted] of [redacted] big six [redacted] European carmakers, [redacted] been lowered by [redacted] the [redacted] (S&P), [redacted] leading international credit rating [redacted].

The downgrading reflected "increasingly difficult" [redacted] try conditions in Europe, [redacted] the [redacted] and [redacted] the lowering of [redacted] ratings for [redacted] producers including [redacted] and Honda of Japan [redacted] BMW [redacted] Germany earlier this month.

[redacted] ratings [redacted] Renault [redacted] PSA Peugeot [redacted] are [redacted] being examined and [redacted] placed [redacted] the agency's credit [redacted] "with negative implications".

S&P has [redacted] the rating [redacted] VW's long-term [redacted] A+ from AA- (the highest [redacted] ment grade rating [redacted] AAA, [redacted] the [redacted] BBB), while VW's commercial paper rating [redacted] A-1 from A-1+. [redacted] commercial [redacted] rating [redacted] A-1.

[redacted] rating [redacted] Volks[redacted] negative, [redacted] group's [redacted] problems [redacted] "uncertainty over [redacted] quacy of its remedial actions".

[redacted] competitive position [redacted] weak owing to the company's ageing product [redacted] and high degree [redacted] on the Italian market. The success of [redacted] current new product development programme [redacted] critical.

S&P [redacted] the increasing economic integration of Europe [redacted] that [redacted] automotive market [redacted] more subject [redacted] volatile cyclical fluctuations than in the past. Long-term growth in demand [redacted] ted [redacted] slow [redacted] approached saturation, [redacted] competition [redacted] intensifying [redacted] national [redacted].

Significant [redacted] capacity in the European [redacted] industry [redacted] expected [redacted] persist, [redacted] in part to [redacted] development of new assembly plants by leading Japanese [redacted].

European [redacted] "highly [redacted]" to compet[redacted] in Europe [redacted] to [redacted] "relatively [redacted]" geographic [redacted] in [redacted] regions of [redacted] world.

Intensifying price competi[redacted] offsetting [redacted] European carmakers [redacted] gaining [redacted] their product [redacted] and improve their operating [redacted] ciency.

Austrian group aims to raise Sch3bn

By Patrick Blum in Vienna

Mayr-Melnhof (MM), a family owned Austrian company and one of Europe's leading carton [redacted] packaging companies, plans to [redacted] ($250m) through a share issue early in the [redacted] Mr [redacted] ael Gröller, chief board executive, said yesterday.

The Mayr-Melnhof family will [redacted] after the [redacted] which [redacted] expected to take place in April with Morgan Stanley as inter[redacted] lead [redacted] Bankverein, [redacted] Austrian bank, [redacted]. [redacted] will [redacted] offered to investors in western Europe and the US, and will be listed on the Vienna Börse.

The proceeds [redacted] acquisitions [redacted] "The industry [redacted] going through [redacted] options. We [redacted] producer or build up our strength in Europe," [redacted] Fogarassy, board member.

[redacted] acquisitions [redacted] in [redacted] of Dee[redacted] UK, and a 50 per cent stake in C.P. [redacted] Verpackungswerk of Germany. In addition to plants in Germany, the UK and Austria, MM also has sub[redacted] in Switzerland, France, Italy and the Netherlands.

MM's [redacted] in [redacted] Europe are expected to grow as part of its strategy to supply multinational companies moving into new post-communist markets. MM has a plant in Hungary, and projects are planned for Poland and the Czech Republic.

MM was founded 100 years ago, and is one of the world's leading cardboard manufacturers, producing carton board, folding cartons, and recycling waste paper. In 1992, it produced about 1m tonnes of carton board, giving it a 20 per cent share of the European market. Production of folding carton used primarily for packaging food, beverages, and other products such as washing powders, was about 100,000 tonnes.

Air France's tight schedule for recovery

The loss-making airline has little room for manoeuvre, writes John Ridding

Make or break time is fast approaching for Air France. Decisions taken over the coming weeks at the company's headquarters and government offices in Paris, and at the E[redacted] Commission in Brussels, will determine whether the loss-making state-owned carrier [redacted] wrought into shape for privati[redacted].

On Tuesday evening, Air France's 42,000 employees were sent a letter from Mr Christian Blanc who took over as chairman last October following the forced departure of Mr Bernard Attali, the victim of a violent strike and the withdrawal of government support for his rescue plan.

The letter contains outline proposals for Mr Blanc's own recovery strategy and an appeal for staff support for his plan. The aim is to complete a package of recovery measures by the beginning of March. It will then require approval by the board and unions and be presented to the government. If, as expected, the plan includes an injection of capital, it is sure to be scrutinised by the European Commission.

The schedule is tight. But the financial position facing the French airline leaves little room for manoeuvre. Recession in its principal markets and its high cost base prompted losses last year of about FFr7.5bn ($1.3bn). The company's debts are estimated at [redacted] and its annual financial [redacted] about FFr3.2bn.

"I hear it said that we cannot go bankrupt. [redacted] false," says Mr Rodolphe Frantz, managing director, in an interview in the [redacted] internal newsletter. "It is in the current quarter that the survival of the company will be decided. Never have we faced such a pressing danger."

There is method in Mr Frantz's gloomy message. In the wake of last year's disastrous strike, Mr Blanc and his management team have sought to convince the airline's employees of the need for fundamental and rapid reform.

Warnings of the company's plight are part of the process. This has been combined with the establishment of performance targets needed to rescue the airline and the critical stage of designing measures to achieve these goals.

The targets are clear. In a statement issued last December, Mr Blanc said that the airline must return to profit within the next three years. [redacted] must be increased by 14 per cent by 1997 and financial costs must be halved by the end of 1998. Spending on equipment and salaries must fall by 7 per cent and 10 per cent respectively in each year until 1997, according to Mr Blanc.

[redacted] comes [redacted] hard part – how to achieve [redacted] ambitious goals. Mr [redacted] has deliberately left [redacted] for manoeuvre on this score.

"The [redacted] of last year mean that he cannot reform by diktat" [redacted] French banker. "He needs to co-opt the personnel and give them a role in the recovery plan."

The new chairman has, however, indicated the means that might be employed to reach his ends. These include a series of proposals to [redacted] salary costs, [redacted] a voluntary [redacted] or pay [redacted]. Higher-paid employees might [redacted] an equity [redacted] in [redacted] airline in [redacted] in [redacted] ries.

T[redacted] proposals [redacted] support from [redacted] of a poll launched [redacted] end [redacted] 35 [redacted] company's employees [redacted] responded [redacted] a questionnaire, [redacted] accept a [redacted] in [redacted] help [redacted] survive.

The idea of receiving shares in Air France in return [redacted] was [redacted] an attractive [redacted] by 64 per cent [redacted] respondents.

[redacted] proposals [redacted] radical restructuring of the group's operations. Air [redacted] could [redacted] broken up into separate profit centres, either along business or geographical lines, in an attempt to increase accountability and efficiency.

"[redacted] completely [redacted] organisation," [redacted] Blanc said in [redacted] to [redacted] staff. [redacted] in Mr Attali's rescue plan, non-core assets such as the Meridien hotels group, are expected to be sold to cut debts.

Whatever the final shape of the plan, its success will depend on two substantial hurdles – the reaction of the unions and the company's ability to raise new capital.

On the first count, Mr Blanc has sought to reduce opposition through consultation and by seeking alternatives [redacted] forced redundancies.

Plans to cut 2,100 jobs this year, for example, are to be achieved through early [redacted] attrition.

But [redacted] fractured nature of the company's union organisation remains a grave [redacted].

There [redacted] 14 unions [redacted] the airline, and the power [redacted] wildcat actions [redacted] clearly demonstrated during last year's strike.

Even without [redacted] disputes, the [redacted] plan will mean little [redacted] a strengthening [redacted] the company's balance sheet. [redacted] airline [redacted] adamant [redacted] government must play [redacted] role.

"If [redacted] the [redacted] capital then the company will be condemned," [redacted] Mr Frantz.

T[redacted] problem [redacted] amount [redacted] capital needed, [redacted] up to FFr8bn, and the reaction that a [redacted] allocation [redacted] state-aid would probably trigger in Brussels.

The European Commission is already investigating a capital injection of FFr1.5bn [redacted] to Air France by [redacted] previous French government and [redacted] recently frozen [redacted] refinancing of Groupe Bull, [redacted] computer company.

[redacted] report [redacted] month, [redacted] sponsored by [redacted] Commission, [redacted] for the end of [redacted] support [redacted] the European [redacted] industry, although [redacted] open [redacted] possibility [redacted] a [redacted] time, [redacted] time" [redacted] of aid. [redacted] Mr Blanc can pull his plan together, [redacted] not be a next time for Air France.

[redacted] NET PROFIT (LOSS) FFr m	
1986	[redacted]
1987	720
1988	1,170
1989	850
1990	[redacted]
1991	(690)
1992	[redacted]
1993	[redacted]

[redacted]

WORKFORCE	
1986	[redacted]
1987	[redacted]
1988	37,122
1989	39,111
1990	39,810
1991	[redacted]
1992	[redacted]
1993	[redacted]

*Includes [redacted] after merger † [redacted] [redacted]

Provisional June date for Dutch telecomms sell-off

By Ronald van de Krol in [redacted]

The privatisation of KPN, the Dutch state-owned telecommunications and postal company, is provisionally scheduled [redacted] take place in early June, with June 7 the most likely date for the opening of subscriptions to investors.

The date is contained in a provisional timetable drawn up by the banking syndicate, led by ABN Amro, after consulta[redacted] the government. The actual date may [redacted] moved depending [redacted] the [redacted] preparing for the [redacted] tion, which will rank as the largest in the history of the Amsterdam stock exchange.

The finance ministry declined to comment on the date, noting only that the government has said in the past that the shares would be sold before the end of June if stock market conditions permit.

The Dutch state is expected to sell a 30 per cent stake in KPN when the first tranche of shares, worth an estimated Fl 5bn ($2.6bn), is offered to investors in June. Subsequent tranches in the late 1990s will reduce the government's holding to less than 50 per cent.

Lower lira set to boost Merloni

By Haig Simonian in Milan

Merloni, [redacted] goods [redacted], expects pre-tax profits [redacted] about [redacted] for 1993 against L4.8bn the previous year.

The improvement stems from higher margins because of the lower lira and the one-off effect in 1992 of a L24bn foreign exchange loss. Net group earnings in 1992 were only L1.6bn.

Mr Vittorio Merloni, chairman, said that last year's sales soared by 30 per cent to more than L1,700bn, thanks to the first-time consolidation of Peksel, the Turkish white goods group 54 per cent owned by Merloni. Stripped of the acquisition, the increase would have been about 15 per cent, he said.

Merloni had raised its share of the European white goods market by about 1 percentage point, to more than 9 per cent, behind Electrolux, Bosch-Siemens and Whirlpool, he said.

Mr Merloni, who hopes to reach a 10 per cent market share, did [redacted] further acquisitions, particularly now the group's net financial indebtedness was under control. Merloni's net indebtedness actually rose to L230bn last year from L206bn in 1992. However, that was swelled by [redacted] takeover, without [redacted] would have [redacted] L185bn. Following [redacted] advance repayment of a L100bn convertible bond, announced yesterday, net [redacted] was now about L180bn.

The lower lira should have boosted margins by about L80bn last year, said Mr Merloni. However, about half the competitive edge gained had been used to maintain or even reduce prices. Of the remaining L40bn, around half had been used for [redacted] promotion or restructuring, while only the remaining L20bn had fed through to the [redacted] line, he said.

Electricité de France increases profit by 24%

By John Ridding in Paris

Electricité de France, the state-owned utility, shrugged off the effects of recession to achieve net profits of FFr3.1bn ($528m) last year, an increase of 24 per cent over 1992.

The results exclude a payment to the state, which is part of a four-year agreement, and which is estimated at about FFr1bn for last year. Sales rose by 3.5 per cent to FFr183.8bn, with a strong increase in exports of electricity.

Mr Gilles Ménage, chairman of EdF, said he expected only a [redacted] increase in electricity [redacted] this [redacted], of [redacted] of [redacted] per cent, [redacted] expected [redacted] of just over 2 per cent. He [redacted] which [redacted] to be confirmed by Mr Edmond Alphandéry, the economy minister, [redacted] "good news for the French [redacted] sumer".

[redacted] held constant [redacted] at FFr32.9bn, but the company's [redacted] strengthened and borrowings were [redacted] to FFr176.5bn. Interest [redacted] about 8.1 per [redacted] of turnover, according [redacted] EdF.

INTERNATIONAL COMPANIES AND FINANCE

Sumitomo Chemical in Y9bn loss

By Paul Abrahams in Tokyo

Sumitomo Chemical, the large Japanese chemicals company, yesterday posted its first non-consolidated operating loss, demonstrating the depth of the crisis afflicting the industry in Japan.

The company halved its full-year dividend to Y3 per share. Sumitomo forecast static sales this financial year and would make no profit on the operating, pre-tax or post-tax lines. [illegible] group warned it would need to [illegible] [illegible] Y10bn [illegible] this [illegible] for its operating profits to break even.

The group, the first of the big Japanese chemicals companies to report full-year results, reported a [illegible] of Y9.7bn [illegible] the year to December 31, compared with a profit of Y7.4bn in 1992.

Consolidated pre-tax profits fell 18.6 per cent [illegible] Y40.3bn to [illegible]. Consolidated [illegible]ating profits fell [illegible] to Y36.8bn. The [illegible] results, which [illegible] [illegible] 8 per cent from Y1,018bn to Y936bn, were [illegible]tered by a number of exceptional factors. These included a gain [illegible] Y22.7bn on sales of securities, and Y5.7bn on the [illegible] property in [illegible]. There were no such gains in 1992.

[illegible] provisions of Y15.6bn [illegible] currency losses, bad debts, [illegible] the pension fund and the cost of disposing of [illegible]. That compared with similar charges in [illegible] of [illegible].7bn. Post-tax earnings fell from Y16.3bn to Y12.8bn. The [illegible] charge fell from Y23.9bn to [illegible]. Earnings per share fell from Y10.09 to Y7.87.

[illegible] solidated sales of Y960bn this year, generating operating [illegible] of Y40bn, pre-tax profits of Y27bn and post-tax earnings of Y11bn.

Paul Abrahams looks at changes facing Japan's chemicals companies

Troubled sector learns to live with recession

Sumitomo Chemical, like most [illegible] the Japanese chemicals industry, [illegible] suffering the [illegible] since [illegible] world war. A high cost base and strong yen, combined with a migration of the industry's [illegible] to other Asian countries, are creating a [illegible] change [illegible] making Japan [illegible] impossible [illegible] for manufacturing [illegible]modity [illegible].

Most [illegible] Sumitomo's problems [illegible] on the basic [illegible] division, which plunged to [illegible] operating loss of Y6.9bn ($67m) [illegible] 1993 from profits [illegible] Y554m in [illegible]. Turnover at the division, which principally manufactures petrochemicals products such as plastics, synthetic rubber and methyl methacrylate, fell 13.2 per cent from Y422bn to Y367bn.

The division, like the rest of Japan's petrochemicals industry, is struggling with a collapse in [illegible] demand, [illegible] over-capacity and [illegible]ing prices. Nearly all petrochemicals [illegible] in loss. [illegible] industry's [illegible] largest [illegible]ufacturers [illegible] ethylene, the basic building block of plastics, are expected to report [illegible] during [illegible] Y51.6bn, according [illegible] analysts.

Mitsubishi Kasei, which [illegible] problems is [illegible] merge with Mitsubishi Petrochemical, yesterday announced it would report a Y2bn operating loss for the 12 months to the end of March. That compares with a profit of [illegible].

The collapse in plastics prices has been particularly [illegible]. Sumitomo [illegible] from [illegible] automotive [illegible] polypropylene prices [illegible] over [illegible] months. Similarly, PVC prices [illegible] 10 per [illegible] of [illegible] demand [illegible] the construction [illegible] been using [illegible] low prices [illegible] imported products – [illegible] by [illegible] strong [illegible] – to drive down [illegible] prices.

[illegible] petrochemicals [illegible] incapable of exporting [illegible] of [illegible], according to Mr Yukio Murakami, director [illegible] Chem Systems Japan, the [illegible].

Instead, petrochemicals companies [illegible] looking [illegible] capacity overseas, [illegible] Mr [illegible]. This [illegible] Mitsubishi Petrochemical announced it [illegible] forming a joint [illegible] with Royal [illegible] construct [illegible] Asia's largest styrene [illegible] plant in Singapore. [illegible] to acquire a [illegible] equity [illegible] Petrocap, a joint [illegible] in the Philippines [illegible] building a 160,000-tonnes-a-year polypropylene plant [illegible] Manila.

[illegible] mo's speciality [illegible] division, which theoretically [illegible] by [illegible] recession, [illegible]. Operating profits [illegible] on [illegible] down 2.7 [illegible] from [illegible]. Nearly all [illegible] operating profits were generated by [illegible] Pharmaceuticals, [illegible] profits of Y37bn (Y38bn) [illegible] sales unchanged [illegible].

The division's dyestuffs operations [illegible] particularly from cheap imports from China and India, according to the company. The [illegible] depressed [illegible] textile [illegible] production to south-east Asia. The agrochemicals business also had a bad year, as it struggled against low-price competition from the US and Europe.

Sumitomo must be grateful that it decided to diversify into pharmaceuticals in 1984. The business generated operating profits of Y37bn, compared with group trading profits of Y36.8bn. However, Sumitomo Pharmaceuticals expects to report static turnover this year at Y239bn, and only modest profit growth because of price cuts due to introduced by the Japanese ministry of health in April.

To achieve its break-even target this year, Sumitomo is launching a cost-cutting programme. It said it is willing to import low-cost [illegible] even [illegible] expense of stopping production at its own plants. It also plans to improve margins by reducing manufacture of low-cost products such as PVC, dyestuffs and agrochemicals intermediates, importing them from China and India.

In spite of its troubles, Euro[illegible] petrochemicals groups [illegible] look enviously at Sumitomo. If the Japanese group's position continues to deteriorate, it can always raid the [illegible]19bn unrealised profits on [illegible] portfolio.

Canon hurt by strong yen

By Emiko Terazono in Tokyo

Canon, a leading Japanese camera and office equipment maker, reported its first profit decline in seven years for the year ended last December, due to the yen's sharp rise against the dollar.

[illegible] said [illegible] in spite [illegible] restructure [illegible] operations [illegible] it [illegible] be [illegible] to make profits at [illegible] exchange [illegible] Y100 to [illegible] dollar, annual parent pre-tax profits plunged 51.5 [illegible] Y37.4bn ($362m), [illegible] Y1.1bn in foreign exchange [illegible].

[illegible] said it managed to [illegible] 80 [illegible] cent [illegible] foreign exchange losses by increasing its prices and cutting [illegible] sales, 79 [illegible] cent of which [illegible] from exports, fell 2.5 per [illegible] Y1,036.9bn, [illegible] operating profits declined [illegible] per cent to Y44.1bn. After-tax profits [illegible] 49.8 [illegible] cent to [illegible].

[illegible] of copiers fell [illegible] per [illegible] Y315.1bn and information equipment fell 6.7 [illegible] to Y106.7bn, but [illegible] mainstay computer printers [illegible] 7.3 [illegible] cent to Y435.1bn. Camera [illegible] plunged 20.7 [illegible] to Y132.6bn due [illegible] price cuts amid the current [illegible] in the domestic economy.

For the current year, Canon hopes an increase in computer printer sales will help [illegible] performance. On the assumption that the yen stands [illegible] Y107 against [illegible] dollar and Y65 against the German mark, the [illegible] is forecasting [illegible] in pre-tax profits [illegible] Y40bn on a 3.1 [illegible] cent increase in [illegible] to Y1,070bn. [illegible] profits [illegible] expected to [illegible] 8.3 per [illegible] to [illegible].

Unitas still in deficit at FM2.6bn

By Christopher Brown-Humes

Unitas, [illegible] second-largest banking group, stayed in the [illegible] with a FM2.57bn ($467m) deficit last [illegible] warned it [illegible] clear profit [illegible] 1996.

It is [illegible] bank's third consecutive annual loss and reflects the weak state of the Finnish economy and [illegible] credit losses.

[illegible] Vesa Vainio, Unitas's chairman, [illegible] the group's [illegible] would improve this year, but it would still be negative. "In 1995 we expect to have left losses [illegible] us and [illegible] should be a clearly profitable year," he added.

The 1993 deficit was only slightly lower than 1992's FM2.70bn loss.

Group net income from financing operations rose by 27 per cent to FM2.17bn due to the fall [illegible] Finnish interest rates and improved efficiency.

However, the benefit was wiped out by a FM500m jump in credit losses to FM3.77bn. The latest figure was aggravated by a FM750m provision against likely future write-offs.

Unitas, which is the holding company for the Union Bank of Finland, said corporate credits accounted for FM2.46bn of credit losses and households FM251m.

The most problematic sector was trade, hotel and restaurant, accounting for 22 per cent of write-offs, followed by real estate with 14 per cent and construction at 12 per cent.

"Credit losses are expected to decrease this year as the [illegible] recovery gets under way and [illegible] stay low," [illegible] Mr Vainio.

Non-performing loans [illegible] during 1993 [illegible] at the year-end [illegible] from a [illegible].

Turnround at Enso-Gutzeit

By Christopher Brown-Humes in Stockholm

Enso-Gutzeit, the Finnish pulp and [illegible], [illegible] put two years [illegible] behind [illegible] by posting a FM385m ($70m) profit after financial items for 1993.

The result, which compares with a FM192m deficit in 1992 and a FM950m [illegible] in 1991, [illegible] a 27 per [illegible] jump in net [illegible] to FM13.06bn.

Mr Jukka [illegible], chief executive, attributed the improvement to cost-cutting, [illegible] Finnish markka, higher productivity and lower [illegible] prices. He [illegible] all [illegible] group's [illegible] had produced better figures in [illegible] terms, in spite [illegible] difficult [illegible] conditions throughout the pulp and paper industry.

[illegible] strong growth in [illegible] reflected [illegible] weakness and [illegible] group's expansion programme. It acquired Tampel[illegible] products and packaging operations [illegible] FM3.6bn in May. [illegible] from [illegible] from its new Enocell pulp mill. The group partly offset weakness in European [illegible] by increasing sales to [illegible] Asia.

Analysts [illegible] the result [illegible] the government to reduce [illegible] majority [illegible] in [illegible] as part of the long-awaited launch [illegible] privatisation programme.

The group's consolidated operating margin [illegible] to FM2.99bn, [illegible] of [illegible] sales, [illegible] percentage points [illegible]. Depreciation [illegible] to FM1.1bn from [illegible], and [illegible] interest [illegible] increased to [illegible] from [illegible].

Exchange [illegible] at [illegible] were [illegible] higher than in [illegible].

AECI improves 28% to R347m

By Matthew Curtin in Johannesburg

Improving domestic sales volumes and a sharp [illegible] in financing costs boosted results [illegible] South [illegible] AECI in 1993 in the [illegible] growth in export [illegible] and weak prices for its output. The Anglo American-owned chemicals producer reported a 28 per cent rise in pre-tax profit to R347m ($102m) in the year to December 31 against R270m in 1992.

Turnover climbed to [illegible] from R5.55bn, including exports worth R649m against R643m, [illegible] the operating margin unchanged at 8 per [illegible]. Although operating profit improved [illegible] R467m compared with R432m, the figure is still below levels five years ago.

Financing [illegible] benefited from [illegible] domestic and [illegible] interests [illegible] and fell [illegible] R120m from R162m.

The group's [illegible] capital programmes and higher working capital [illegible] pushed [illegible] borrowings R116m higher [illegible] R558m by [illegible] year-end. [illegible] R75m expansion project at subsidiary [illegible] Nylon Spinners [illegible] completed in the [illegible] while spending [illegible] on the group's R270m joint venture with the Industrial Development Corporation to [illegible] lysine, an ingredient in poultry and [illegible] feed.

AECI [illegible] committed to new joint [illegible] with Imperial Chemical [illegible] (ICI) – which has swapped its [illegible] per [illegible] in the group for a 51 per [illegible] interest in [illegible] explosives business – and [illegible] in a [illegible] project [illegible] the groups' upstream and [illegible] petrochemical operations.

However, earnings growth at AECI remains hobbled by its 25 per [illegible] in loss-making [illegible] Ash Botswana, plagued by operating difficulties and a slump in local demand for soda ash and strong [illegible] petition.

[illegible] a R12m investment loss and is considering making a provision of about R140m for present and future investment in [illegible] project [illegible] will be [illegible] against proceeds [illegible] deal with ICI.

[illegible] earnings, lifted by a R31m [illegible] credit, climbed [illegible] R237m from R184m, equivalent [illegible] a share [illegible] dividend is unchanged [illegible] 58 [illegible].

Burns Philps earnings rise to A$76.3m

By Nikki Tait in Sydney

Burns Philps, the Australian food and hardware retailing company which has been restructuring around its food and food ingredients division, yesterday reported a 40 per cent increase in profits after tax in the six months to end-December, to A$76.3m (US$54.5m) from A$54.5m.

The company said it was still preparing to float its hardware retailing division on the stock market, but would consider a trade sale of the business if this was in the interests of shareholders. It said earnings before tax interest and tax from its hardware division [illegible] up by [illegible] per [illegible] at A$27.7m.

Mobil signs Indian joint venture

By Stefan Wagstyl in New Delhi

Mobil Petroleum, the US oil company, yesterday signed a joint venture with Indian Oil Corporation, India's [illegible] oil company, a move which sees Mobil returning [illegible] India after an [illegible] nearly 20 years.

Like other large multinationals, Mobil quit India in the mid-1970s in response to the autarchic [illegible] policies [illegible] government of Mrs Indira Gandhi, the former prime minister. The liberalisation of the [illegible] by [illegible] P.B. Narasimha Rao, the prime minister, has encouraged [illegible] multinationals [illegible] return, notably IBM and Coca-Cola [illegible] US.

[illegible] venture with Indian Oil Corporation [illegible] the [illegible]ing [illegible] distribution [illegible] Mobil-brand lubricant [illegible] through Indian Oil's nationwide chain of petrol stations [illegible] other outlets, which [illegible] share [illegible] per cent. [illegible] partners will invest in a [illegible] blending plant [illegible] built in the [illegible] of Haryana, near Delhi. It will go on [illegible] in [illegible] producing 100,000 [illegible] of oils a [illegible].

Mr R.C. Parker, [illegible] Asia Pacific, [illegible] regional company, [illegible] delighted [illegible] in India. [illegible] Mobil and [illegible] Oil [illegible] much to [illegible] much to gain at a time of growth in [illegible] region.

Hewlett-Packard beats forecasts with 41% surge

By Louise Kehoe in San Francisco

Hewlett-Packard, the [illegible] computer and electronics group, yesterday reported [illegible] continuing strong performance [illegible] its first fiscal quarter, with a 41 per cent increase in net earnings and 24 per [illegible] growth in revenue.

The results reflect the group's advance in [illegible] computer [illegible] at the [illegible] largest competitors, including IBM and Digital Equipment.

HP's share price [illegible] sharply [illegible] news [illegible] the results, which outstripped [illegible] Street expec[illegible]. At midday, [illegible] were trading [illegible] up from Tuesday's [illegible] of $85¼.

"The [illegible] off [illegible] start," [illegible] Mr Lew Platt, chairman, president and chief executive. "We [illegible] strong revenue growth into better profits, largely [illegible] management [illegible] operating expenses."

[illegible] earnings for [illegible] quarter [illegible] $368m, compared [illegible] $261m, while earnings [illegible] $1.42 on approximately [illegible] common [illegible]. This [illegible] with [illegible] a [illegible] on [illegible] in the first quarter of [illegible] 1993.

[illegible] in [illegible] outstanding reflects [illegible] change in accounting [illegible] employee [illegible] options. The change [illegible] earnings [illegible] by [illegible] four cents, the [illegible].

Net revenue for the quarter [illegible] $5.7bn, compared with $4.6bn in [illegible] first quarter of fiscal 1993. US [illegible], an [illegible] 25 [illegible] cent, while revenue from out[illegible] the US [illegible] 24 per cent [illegible] $3.1bn.

The first quarter [illegible] by strong demand for HP's computer printers, personal computers, multi-user computers [illegible] workstations, [illegible] company said.

"Overall, we're very [illegible] by [illegible] quarter's results," [illegible] Mr Platt. "This quarter's revenue growth [illegible] outpaced [illegible] in operating expenses." Operating [illegible] were [illegible] of [illegible] compared with [illegible] in [illegible] period [illegible]. "This is [illegible] key goal in our efforts [illegible] improve profitability."

[illegible] goods [illegible] 61.1 per cent [illegible] net revenue, [illegible] slightly from [illegible] per [illegible] in [illegible] preceding quarter. [illegible] Platt [illegible] that HP [illegible] continue [illegible] its emphasis on [illegible] operating-expenses.

HP [illegible] play a [illegible] in [illegible] ing [illegible] "information superhighways" including [illegible] television [illegible] computing.

[illegible] expertise in electronic [illegible] equipment with [illegible] computer [illegible] technologies [illegible] of new products.

Statoil buys stake in US gas producer

By Karen Fossli in Oslo

Statoil, the Norwegian state oil company, has bought a 38.1 per cent stake in Eastern Group, a US gas producer, trader and distributor. The deal will give the Norwegians a foothold in the US gas market, the second biggest in the world.

Statoil has been seeking to export gas to the US but has been unable to obtain prices which would justify such a move.

"Acquiring the interest in the Eastern Group and initiating a marketing collaboration with the company form part of [illegible] to expand its international [illegible] in the natural [illegible] sector," it [illegible].

The companies [illegible] not disclosed the [illegible] deal, [illegible] on Eastern Group's board.

A [illegible] marketing [illegible] is [illegible] be [illegible] up through which Statoil will supply Eastern Group with a minimum of 5.6bn cubic metres of natural [illegible] over a five-year period which would be sold in the US market.

Statoil will either buy the gas in the US market or swap crude oil imported from Norway and traded by its US subsidiary in exchange for US gas.

The Eastern Group is considering going public and may seek a listing [illegible] the New York [illegible] Exchange, Nasdaq or [illegible] Exchange.

In 1993, the company achieved a turnover of [illegible] than [illegible] cubic [illegible] of natural [illegible] annually.

Industry specialists said prices for [illegible] the wellhead in the [illegible] ranged between $1.47 and $2.15 per British thermal unit.

[illegible] Statoil lifted pre-[illegible] profits by [illegible] cent to NKr12bn ($1.6bn) from NKr9.9bn in 1992.

Clayton Dubilier in further acquisition

By Richard Waters in New York

Westinghouse Electric [illegible] agreed [illegible] cal [illegible], marking the [illegible] in a [illegible] of disposals planned by the troubled US [illegible].

The company, with annual [illegible] of $1.6bn and [illegible] employees, [illegible] by Clayton [illegible], a private investment firm [illegible] buyer of [illegible] porations.

[illegible] it [illegible] in negotiations [illegible] Electric Supply [illegible] unprofitable [illegible] it no longer [illegible] core. The price [illegible] company [illegible] put [illegible] Clayton Dubilier [illegible] just [illegible] its [illegible] value.

The [illegible] purchases [illegible] by the [illegible] firm in the [illegible] months. [illegible] year, it [illegible] for General Motors' Allison [illegible] subsidiary, [illegible] for Du [illegible] Remington Arms [illegible].

The purchase price [illegible] prises $100m [illegible] of equity [illegible] notes, with the [illegible] in [illegible] form [illegible] bank [illegible] Mr [illegible] Cribiore, [illegible] principle [illegible] the firm. Westinghouse will [illegible] a [illegible] per [illegible] in the company, with an option [illegible] the [illegible].

Wesco [illegible] products [illegible] manufacturing [illegible] companies.

The [illegible] firm [illegible] policy [illegible] strengthen [illegible] of companies [illegible] and run [illegible] Ames, [illegible] Clayton Dubilier principle [illegible] former [illegible] Reliance [illegible], will become chairman of Wesco.

Other acquisitions [illegible] Van [illegible] Merritt, an investment management [illegible], and IBM's Lexmark [illegible], a computer workstation [illegible].

Pharmacia seeks buyer for unit

Pharmacia, the majority [illegible] Swedish [illegible] group, [illegible] seeking a buyer for [illegible] Deltec, a wholly-owned US subsidiary manufacturing home drug delivery systems, writes Hugh Carnegy in Stockholm.

Pharmacia, due to be fully privatised this year, said the sale was in line with its strat[illegible] focusing on [illegible] product [illegible].

[illegible] Deltec had [illegible] of [illegible] $100m and [illegible] a world [illegible] in ambulatory infusion [illegible].

BNL comes back under the spotlight

Haig Simonian reports on the surprise decision by the Italian bank's chief to step down

Italy's treasury-owned [illegible] Lavoro shot [illegible] into the headlines this month after its chairman, Mr Giampiero Cantoni, decided to step down temporarily.

Mr Cantoni was brought in to remove the bank from the limelight in 1989 when revelations about $4bn in unauthorised loans to Iraq from its Atlanta branch triggered an international outcry.

BNL has maintained a fairly low profile since then. Apart from a flurry during the 1991 collapse of the Federconsorzi farm services group, the new management, under Mr Cantoni, has steered a reasonable recovery at the once scandal-ridden bank.

Parent company figures for 1993, revealed yesterday, showed a 68 per cent surge in gross operating profits to L1,527bn ($911m), confirming the bank's continuing recovery since the Atlanta affair.

However, Mr Cantoni's decision last week to step down temporarily has catapulted the bank back on to the front pages. Although he stressed the move was for personal reasons – Mr Cantoni is being investigated [illegible] alleged [illegible] to accelerate planning procedures in a [illegible] where his family engaged in property speculation – matters have [illegible] more complicated.

BNL [illegible] the [illegible] of [illegible] Italy inspectors looking into loans [illegible] to the now-bankrupt [illegible].

Among the companies Mandelli bought in the rapid expansion which largely accounts for its plight, [illegible] concern [illegible] which Mr Cantoni had a substantial interest. Although the Bank of Italy has not yet reached formal conclusions, the fact that BNL's chairman potentially faced a conflict of interest in approving big credits to Mandelli has not helped the bank's reputation.

Matters worsened this week after leaks about other potentially questionable lending by Efibanca, the bank's long-term industrial lending subsidiary, to entrepreneurs, some now in [illegible] closely [illegible] the now-discredited Socialist party.

Although [illegible] rejected [illegible] of the claims, politically-influenced lending [illegible] nothing new [illegible] banking, [illegible] the majority of [illegible].

BNL [illegible] stronghold, [illegible] Mr [illegible] the party's [illegible]. Whatever [illegible] facts, [illegible] suggestion [illegible] may [illegible] heavily exposed [illegible] entrepreneurs [illegible] Italy's mushrooming political corruption [illegible] to [illegible] the banking world.

The latest mishaps have led to calls for a management shake-up. BNL's unions this week demanded a "clarification" of the bank's policies.

The upsets have also refocused attention [illegible] deeper structural problems. BNL has for some years been under-capitalised. A November 1992 treasury paper outlining the government's privatisation plans estimated it needed at least L2,000bn to improve its capital [illegible].

The treasury [illegible] resolve the problem. [illegible] week, [illegible] Mario Draghi, [illegible] treasury's [illegible] general, acknowledged [illegible] had [illegible] pumped [illegible] BNL [illegible] happen.

One [illegible] would [illegible] with [illegible] better-capitalised state bank. [illegible] quently cited [illegible] Italiano, [illegible] financial [illegible] and Artigiancassa, a well-capitalised specialised lender.

However, neither option is now on the cards. IMI has been privatised this month, while a marriage with Artigiancassa appears to have been eliminated. Even the idea of merging with Milan's Banca Commerciale Italiana – always less likely – is no longer available because BCI is next on the privatisation list.

BNL's latest problems means it will [illegible] repolish [illegible] image and further improve earnings before the treasury can think seriously of such options – [illegible] privatisation.

[illegible] to find a solution [illegible] pressing given [illegible] bank's size and status [illegible] the primary bank for the Italian state and public administration.

Another management shake-up [illegible] virtually certain. However, matters are complicated by the [illegible] that Mr Cantoni [illegible] not resigned, although [illegible] will not [illegible] a further term after his contract expires [illegible] this year.

That may [illegible] for the treasury, which [illegible] determined [illegible] impose new [illegible] ment. [illegible] changes [illegible] also involve Mr [illegible] Croff [illegible] Umberto d'Addosio, BNL's [illegible] managing directors, [illegible] not controlling [illegible] bank more stringently.

But [illegible] changes will not [illegible] place quickly. Finding replacements [illegible] Mr Cantoni and [illegible] directors [illegible] could [illegible] difficult given the [illegible] for executives combining both proven integrity with [illegible] experience in Italian finance and [illegible] willingness [illegible] the challenge [illegible] running BNL.

Any management changes will probably be accompanied by [illegible] slimming down [illegible] bloated 19-member [illegible] reflect similar changes [illegible] other big treasury-controlled [illegible].

BNL has to observe [illegible] 45-day notice period before it can call [illegible] extraordinary general meeting necessary to approve [illegible] board [illegible]. That means the move will only come [illegible] Italy's general elections [illegible] month, which may confuse matters further.

Giampiero Cantoni: stresses he left BNL for personal reasons

Hollinger floats parts of N American titles

By Bernard Simon in Toronto

Hollinger, the publishing group controlled by Telegraph proprietor Mr Conrad Black, is [illegible] minority [illegible] to the public in its US and [illegible] newspaper chains.

Hollinger expects to raise [illegible] and [illegible] (US$22.2m-29.6m) from a share issue by UniMedia, a wholly-owned subsidiary which publishes about 15 French-language newspapers [illegible] Quebec, and [illegible] number of North American and European religious titles.

Once it goes public, UniMedia will also take over nine English-language papers, mostly in British Columbia, published by Vancouver-based Sterling Newspapers.

American Publishing, which owns about 230 small-town US daily and weekly papers, has also filed a preliminary prospectus for a public share offering. The terms of the issue, including the amount to be raised, are likely to be decided within the next few months.

Mr Jack Boultbee, Hollinger's vice-president [illegible], said yesterday: "We [illegible], but we think it's a [illegible] idea [illegible] get [illegible] companies public when the markets are good."

He said the infusion of outside equity should [illegible] help [illegible] Hollinger's share price. The shares climbed 25 cents on the Toronto [illegible] exchange yesterday morning, to C$14.25.

[illegible] and [illegible] had [illegible] sales [illegible] in 1992, while American Publishing's sales were about C$180m. Hollinger said UniMedia would become its "preferred" [illegible] for the acquisition or start-up of newspapers in Canada.

Proceeds from the [illegible] will be [illegible] expand printing and production [illegible] ties, and repay inter-company loans.

Separately, [illegible] labour dispute [illegible] to [illegible] down [illegible] Vancouver [illegible] owned by Southam, [illegible] Toronto-based newspaper group [illegible] which Hollinger and [illegible] Telegraph each [illegible] 9.4 [illegible] interest.

Southam management [illegible] representing [illegible] workers [illegible] filed [illegible] strike notices respectively [illegible] failed to settle the dispute. The unions [illegible] assurances [illegible] jobs will not be [illegible] contractors [illegible] through the [illegible].

The Limited falls 20% to $196m in final quarter

By Richard Tomkins

The Limited, the US clothing retailer that has been strug[illegible] to counter poor [illegible] women's [illegible], reported [illegible] per [illegible] fall in net profits to $196m from [illegible] for its fourth quarter.

Turnover rose to [illegible] from [illegible], partly [illegible] Secret and [illegible] specialty retailing subsidiaries did well and partly because the group opened more stores.

However, this [illegible] enough [illegible] outweigh the sharp decline in profit margins at the group's The Limited and Lerner New York chains. Earnings per share fell to 54 cents from 67 cents.

The final quarter's poor performance produced a decline for the full year, pulling net income down to $391m from $455m and earnings per share to $1.08 from $1.25 – although turnover rose to $7.2bn from $6.7bn.

The Limited said it added 198 stores last year and 1.57m sq ft of selling space.

Strong gains at Newbridge Networks

By Robert Gibbens in Montreal

Newbridge Networks, a [illegible] growing [illegible] digital [illegible] equipment maker, [illegible] than [illegible] third-quar[illegible] profit and said demand con[illegible] strong.

Third-quarter [illegible] profit, which [illegible] better [illegible] ted, [illegible] C$41.4m (US$31.4m), [illegible] a share, up from C$17.7m, or 24 cents, a year earlier, on [illegible] up 73 [illegible] cent.

Nine-month profit [illegible] to C$110.5m, [illegible] C$1.39, [illegible] C$34.5m, [illegible] cents, on revenue [illegible] a leap of 88 [illegible].

■ Teleglobe, Canada's overseas telecommunications [illegible] ity, earned C$75.5m, or C$1.20 a share, in 1993, against a loss of C$50.6m, or C$1.19, after special charges in 1992. Revenues were C$1.4bn, up 18 per cent. International telephone [illegible] gained 12.5 per cent in 1993.

Campbell Soup back in the black

By Richard Tomkins in New York

New products and acquisitions helped Campbell Soup, the US soup and food company, report a sharp swing from net losses of $131m last time to net profits of $203m for its second quarter ended January 30.

The previous year's figure was hit by a restructuring charge of $353m before tax, but Campbell said net profits in the latest quarter would still have shown a [illegible] per cent increase without the charge.

Earnings [illegible] share [illegible] record 81 cents, compared with 71 cents before the restructuring charge last time or losses [illegible] charge.

For the half year, net [illegible] ings were $369m, a 12 per cent increase on the previous year's figure before restructuring and accounting charges.

In the US, a new advertising campaign helped lift soup sales in the second quarter, although shipments to the [illegible] by [illegible] because [illegible] heavy promotional activity in [illegible] comparable quarter.

Biscuit [illegible] bakery [illegible] 48 per cent, largely [illegible] Campbell bought majority control [illegible] Arnotts, Australia's leading biscuit maker.

International earnings were [illegible] by [illegible] purchase [illegible] Fray [illegible] products [illegible] April.

TV sales fail to lift Zenith out of red

By Laurie Morse in Chicago

[illegible] Electronics, the struggling US televis[illegible] facturer, has reported a fourth-quarter operating loss of $5m, despite strong television sales.

The [illegible] fourth-quarter loss, including a previously [illegible] restructuring charge, was [illegible] a share, against a net [illegible] [illegible] cents, in last year's fourth quarter.

Fourth-quarter [illegible] fell to [illegible] compared with [illegible] in [illegible] quarter [illegible].

Zenith [illegible] its fifth consecutive full-year loss, [illegible] $97m, [illegible] $3.01, against [illegible] of [illegible] or [illegible] in [illegible]. The [illegible] figures [illegible] restructuring charges [illegible] and tax [illegible]. Full-year [illegible] were little changed at $1.2bn.

The [illegible] came in the face of [illegible] record year for the US television industry, where more than 25m sets were sold. Zenith said dollar sales of colour televisions rose substantially in the fourth quarter.

The company [illegible] it expected its latest restructuring to reduce operating costs by about $50m in 1994.

INTERNATIONAL CAPITAL MARKETS

Rate-cut hopes lift gilts as Continental prices fall

By Conner Middelmann in London and Patrick Harverson in New York

UK gilts [illegible] the only European government bonds to [illegible] gains yesterday. They [illegible] boosted by a raft of economic data which indicated that the UK recovery was slowing while inflation pressured remain subdued.

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"People are now [illegible] up for [illegible] rate cuts," [illegible] Mr Simon Briscoe, UK economist at S. G. Warburg Securities. "I've heard some people [illegible] that the [illegible] should [illegible] (until [illegible]) and [illegible] the [illegible] rate by [illegible] point," he [illegible] in [illegible] last Tuesday's ¼-point cut.

However, weakness in bond markets across Europe put a lid on the gilts' gains. "I would guess that the good data we've seen [illegible] three days would normally put about three points on the gilt market," said Mr Briscoe. However, because of weak markets elsewhere, the gilt rally stalled after ½ point.

Nevertheless, he noted that recent high volatility appeared to have eased off in recent days, and this week's "unambiguously good data might just have given the market the lift the Bank needs ahead of next week's gilt auction".

■ Elsewhere, markets continued to weaken as participants grew increasingly gloomy on the chances of a cut in German interest rates at today's Bundesbank council meeting.

Bunds broke technical resistance early, [illegible] back some losses during the day, but then dropped [illegible] sharply [illegible] the close. "Ironically, bunds are being hurt by the bearish sentiment in other markets regarding the prospect of unchanged German rates," said Mr Karl Haeling, head of Deutsche Bank's futures and options group.

Late in the day, the March bund futures contract on Liffe traded at 98.65, [illegible] point from Tuesday.

■ French bonds ended only slightly [illegible] the day, with early losses recouped by late short-covering. However, traders warned that prices were likely to fall further if the Bundesbank leaves interest rates unchanged.

The notional bond futures contract on Matif fell 0.02 point to 128.64.

■ The higher-yielding markets took another pounding, with the Italian bond future down more than a point in the morning.

According to Mr Marco Pianelli, southern Europe economist at Nomura Research Institute, these markets have suffered from heavy switching into German bonds, or into cash, amid the prevailing interest-rate uncertainty, and because of their currencies' weakness against the D-Mark.

He said political jitters ahead of next month's Italian elections were less of a factor in the sell-off.

If the Bundesbank leaves rates unchanged today, the high-yielders are likely to fall further, said Mr Pianelli. However, he suggested that "a further sell-off would provide a good buying opportunity", with the Italian 10-year benchmark offering value at [illegible] 8.90 and 9 per cent yield.

■ After posting strong gains on Monday and Tuesday, Japanese government [illegible] stabilised, [illegible] boosted by [illegible] corporate bond [illegible].

"With little [illegible] the rest of the week, the focus will be on the degree to which the seasonal increase in corporate supply [illegible] – creating minor downside risk," [illegible] analysts at [illegible].

■ [illegible] Treasury prices [illegible] in light trading yesterday morning [illegible] today's [illegible].

By midday, [illegible] 30-year government bond was up [illegible] at [illegible] yielding [illegible] per cent. [illegible] was buoyed by [illegible] related demand linked [illegible] a [illegible] European bond issue. The two-year note [illegible] unchanged at 99⅞, to carry a yield of [illegible] per cent.

The only [illegible] of the morning – a 17.6 per cent decline in January housing [illegible] – [illegible] impact. This [illegible] data [illegible] distorted by the impact of the harsh winter storms in parts of the US during the month.

The lack of reaction was also attributed [illegible] caution [illegible] market participants about trading actively before today's release of the January consumer prices index. Analysts expect a 0.3 per cent rise in the CPI.

However, investors believe that if the increase is significantly larger, the Federal Reserve might decide to put up interest rates again.

US derivatives regulator acts on risk assessment

By Laurie Morse in Chicago

The Commodity Futures Trading Commission, the primary derivatives regulator in the US, is rushing to write new rules allowing it [illegible] examine the books of parent companies with derivatives-dealing subsidiaries.

Although Congress [illegible] powers to write holding company [illegible] ment [illegible] in [illegible] the CFTC delayed enacting them. That delay proved costly in January, when US [illegible] of German industrial conglomerate Metallgesellschaft faced large margin [illegible] on [illegible] York [illegible] Exchange as oil futures [illegible] positions went sour.

High-level CFTC [illegible] they [illegible] hampered in discovering [illegible] MG Corp's positions presented to the Nymex clearing house because the [illegible] lacked the means to demand full [illegible] the over-the-counter swaps positions. The situation [illegible] further exacerbated because MG Corp's credit had been guaranteed by its German parent, whose [illegible] also proved [illegible] cessible to the CFTC.

The CFTC is now pushing holding [illegible] risk assessment rules [illegible] law. The agency [illegible] hold a public hearing on the rules in Washington on February [illegible] and hopes [illegible] publish the rule proposal in [illegible] Federal Register [illegible] after.

The CFTC is often criticised for being [illegible]. Industry attorneys [illegible] may have avoided promulgating the risk [illegible] for fear of ruffling [illegible] futures broking consistency. However, a CFTC official said [illegible] rule-making [illegible] not a priority, as [illegible] could [illegible] Security and Exchange Commission's year-old risk assessment powers in most cases.

EIB braves saturated sector with $500m offering

By Antonia Sharpe

Only [illegible] most prestigious borrowers were brave enough to launch offerings in the increasingly saturated Eurobond market yesterday.

The European Investment Bank raised $500m through a

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widely-expected offering of 10-year Eurobonds, and the ambitious pricing of eight basis points over the yield on US Treasuries reflected the intense competition for the mandate.

Bidding on the delayed-rate settlement, a mechanism favoured by the EIB to protect itself against changes in interest rates before it on-lends the proceeds [illegible], [illegible] said [illegible] be fierce.

An official at lead manager SG Warburg said demand for the bonds had been stronger in eastern Asia than in Europe, where investors were more sensitive to yield spreads. He said when the bonds were [illegible] to trade, the spread widened to [illegible] basis points, though other dealers reported that the bonds [illegible] quoted [illegible] a yield spread [illegible] points.

The market will watch the performance of the EIB's [illegible] in the secondary market: the spread on the bonds, which some believe could widen to between 12 and 15 basis points, is likely to influence the pricing of the forthcoming offerings of 10-year dollar-denominated global bonds.

The continued recovery in the UK government bond market prompted [illegible] für Wiederaufbau (KfW), the triple-A-rated [illegible] government [illegible] redevelopment, to raise £200m through an offering of 10-year [illegible].

Dealers said the [illegible] spread at launch, of 10 basis points over gilts, was fair in the light of outstanding 10-year sterling-denominated Eurobonds by other top-quality issuers. KfW's bonds also offered investors an alternative to the [illegible] supply of long-dated issues by financial institutions.

Lead manager JP Morgan [illegible] underperformance of gilts compared with German government bonds made KfW's bonds attractive to investors in eastern Asia and Europe. When the bonds were freed to trade, the spread widened to around 11 basis points, according to JP Morgan. However, [illegible] said that, considering the short first coupon, the spread was closer to 14 basis points.

Elsewhere, [illegible] – the US domestic market for foreign issuers – for the first time since May 1992 gave the market a [illegible] that investors were [illegible] once again with Nordic issuers, now that they had dealt with most of their financial woes.

The [illegible] was able to [illegible] through an issue of 15-year subordinated bonds, at a yield spread of 108 basis points [illegible] Treasuries, [illegible] taken as further [illegible] turnround [illegible] complete.

NEW INTERNATIONAL BOND [illegible]

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
European Investment Bank	500	6.00	[illegible]	[illegible]	0.325R	+8 (5¾%-04)	SG Warburg Securities
Walt Disney Company(a)	400	(b)#	(b)	[illegible]	[illegible]	-	Citibank/CS First Boston
Crédit Commercial de France‡	100	(c)	100.00R	[illegible]	[illegible]	-	Kidder Peabody Intl.
IRSA	50	(d)#	(d)R	[illegible]	[illegible]	(d)	Smith Barney Shearson
STERLING							
KfW International Finance	200	6.625	[illegible]	[illegible]	[illegible]	+10 [illegible]	[illegible] Morgan Securities
FRENCH FRANCS							
Compagnie Générale des Eaux	[illegible]	6.25	99.126R	[illegible]	[illegible]	+42 (5¾%-04)	Société Générale
Crédit Local de France(e)	[illegible]	6.25	[illegible]	[illegible]	[illegible]	+28 (5¾%-04)	CCF
AUSTRALIAN DOLLARS							
Mobil Australia Finance	100	8.625	99.66R	Mar.2001	0.325R	+17 (f)	[illegible] Intl.
Toyota Finance Australia	100	5.50	100.16	[illegible]	1.50	-	[illegible]
SWISS FRANCS							
Hilti(g)◊	100	2.00	100.00	[illegible]	-	-	Credit Suisse
Eurovision‡	60.75	(h)	100.40	[illegible]	-	-	Credit Suisse

Final terms and non-callable unless [illegible]. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ★Private placement. ◊With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Potential to participate in profits from portfolio of films. b) Priced in week of Feb.28th at 7yr Treasuries less 300bp. c) 6-mth Libor -⅛%; min 5¼%, max 10%. d) Priced today at 370-380bp over Treasuries. e) Fungible with outstanding FFr1.5bn. Plus 164 days accrued. f) Over interpolated yield. g) Denom: SFr5,000 +20 3-yr wts. 4 wts to Hilti participation bearer at SFr1,015. h) [illegible] Libor +⅛%.

SHL Systemhouse in C$109m share issue

By Robert Gibbens in Montreal

SHL Systemhouse, a large Otta[illegible] [illegible] computer service outsourcer, is raising C$109m (US$80.7m) with an issue of 14.4m new shares at C$7.85 a share.

About 10 per cent of the issue is being taken up by Warburg Pincus Investors, the New York investment group.

Proceeds are being used [illegible] repay debt and bolster working capital. SHL recently won [illegible] eral large capital-intensive outsourcing projects.

● Hydro-Quebec, one of Canada's largest [illegible] utilities, plans to begin a US$1bn Euro medium-term note programme [illegible] maturities [illegible] month or longer.

The notes are expected to be listed on [illegible] London Stock Exchange.

Notes denominated in French [illegible] are also expected to be listed on the Paris bourse. Citybank is the issuing and principal paying agent. The programme [illegible] A1 Moody's rating [illegible] an A-plus from Standard & Poor's.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.500	08/04	120.6000	-0.010	[illegible]	[illegible]	6.27
Belgium		[illegible]	04/04	105.5800	[illegible]	[illegible]	6.60	[illegible]
Canada *		[illegible]	[illegible]	[illegible]	-0.560	[illegible]	6.64	6.37
Denmark		[illegible]	12/04	104.9700	-0.330	[illegible]	[illegible]	5.93
France	BTAN	8.000	[illegible]	[illegible]	[illegible]	[illegible]	6.35	6.06
	OAT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Germany		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	No 119	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	No 157	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Netherlands		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
UK Gilts		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Treasury *		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU (French Govt)		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

London closing, *New York mid-day. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by nonresidents.) Prices: US, UK in 32nds, others in decimal

US INTEREST RATES

BOND FUTURES AND OPTIONS

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	115.42	[illegible]	116.40	115.11	110637	91792
Jun	[illegible]	[illegible]	[illegible]	[illegible]	115.40	[illegible]	[illegible]

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE) DM250,000 100ths of 100%

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Ecu

■ ECU BOND FUTURES (MATIF)

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Feb 16	Day's change %	Tue Feb 15	Accrued interest	xd adj. ytd
1 Up to 5 years (25)	128.77	[illegible]	128.73	2.10	[illegible]
2 5-15 years (21)	155.56	+0.29	[illegible]	1.75	[illegible]
3 Over 15 years (9)	182.90	+0.40	182.83	1.09	[illegible]
4 Irredeemables (6)	218.71	+0.40	217.84	3.12	0.00
5 All stocks (60)	[illegible]	+0.23	[illegible]	1.81	[illegible]

Yields	Low coupon yield Feb 16	Feb 15	Yr. ago	Medium coupon yield Feb 16	Feb 15	Yr. ago	High coupon yield Feb 16	Feb 15	Yr. ago
5 yrs	[illegible]	[illegible]	[illegible]	6.19	[illegible]	[illegible]	[illegible]	[illegible]	7.16
15 yrs	[illegible]	[illegible]	[illegible]	6.61	[illegible]	[illegible]	7.01	7.05	8.63
20 yrs	[illegible]	6.67	8.17	6.82	[illegible]	8.63	[illegible]	7.06	8.71

FT FIXED INTEREST INDICES

GILT EDGED ACTIVITY INDICES

FT/ISMA INTERNATIONAL BOND SERVICE

CONVERTIBLE BONDS

UK GILTS PRICES

● 'Tap' stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds.

Bingo side helps Vardon more than double to £5m

By David Wighton

Vardon, the fast-growing leisure group which owns the London Dungeon, more than doubled pre-tax profits, from £2.16m to £5.13m, over 1993.

The figures were boosted by a seven month contribution from the 10 bingo clubs which it acquired [redacted] £6.7m in May, funded by a £13.4m share issue.

Earnings per share jumped to 5.6p (3.5p) and a final dividend of 0.825p increases the total to 1.125p (0.75p).

Mr Nick Irens, chief [redacted] tive, said the results had been achieved with "very little help" from the economy but [redacted] it had [redacted] "glimmers" of recovery in recent months.

In contrast to recent comments from First Leisure, where Mr Irens [redacted] finance director, Vardon was seeing good growth in spending per customer, in addition [redacted] growth in attendances.

He also pointed [redacted] that [redacted] Sea Life attraction in Blackpool had a record year [redacted] most operators in the resort, including [redacted] Leisure, had reported "a dismal summer".

The [redacted] division, [redacted] Sea Life centres, a Cornish seal sanctuary and [redacted] London [redacted] Dungeons, [redacted] operating profits jump by 53 [redacted] rose from [redacted] basis, visitor [redacted] up [redacted] revenue expanded by 11 [redacted].

Mr [redacted] said:"We were [redacted] lutely delighted [redacted] performance [redacted] existing operations and [redacted] performance [redacted] new development [redacted] well [redacted] expectations."

Nick Irens: seeing good growth in spending per customer

In June, Vardon opened a Sea Life centre at Scheveningen in the Netherlands, its first outside the UK, and Mr Irens said the attendance levels were particularly exciting. "They give [redacted] agement [redacted] expansion [redacted] concept in continental Europe."

[redacted] at Newquay and Tynemouth will open this summer and Vardon plans to open a further three next year, one of which will be in northern Europe.

In [redacted] bingo division, which in [redacted] months [redacted] operating profits [redacted] turnover [redacted] £5.4m, Vardon opened a [redacted] 1,700 capacity [redacted] in Southampton in September [redacted] in Coventry [redacted] open in May.

Excluding acquisitions, capi[redacted] is expected to rise to [redacted] (£8.8m), which would leave it with gearing of about 15 per cent.

COMMENT

These results explain [redacted] heady rise in Vardon's share price which has more than trebled since Mr Irens and chair[redacted] Hudd [redacted] Through [redacted] keenly priced acquisitions they have [redacted] highly cash generative [redacted] both produce healthy [redacted]. The early results [redacted] new openings, particularly [redacted] Dutch Sea Life Centre, show the scope for organic growth and the management "remain alive to opportunities" in other [redacted]. Assuming [redacted] further deals, profits should reach £7m this year which puts the shares on a multiple of [redacted] A premium rating [redacted] still has its attractions.

Drugs cuts lead to unhealthy figures

Daniel Green reports on the forthcoming results from pharmaceutical companies

This year's round of phar[redacted] will be the first to show the effects of a full year of healthcare reforms in Germany, one of the world's biggest markets.

Germany cut its drug spending [redacted] the start of 1993 and sales there have, on early indications, fallen by about 10 per cent.

[redacted] reforms, as well as those more recently in the UK, Italy, France and Japan, and those planned in the US, have depressed drug company share prices.

Investors fear that governments [redacted] to cut health spending budgets by concentrating [redacted] limiting the drugs bill will slow profits growth.

Drug companies are already busy trimming costs. But they have not moved fast enough to have prevented the drugs sector becoming one of the worst performers in the stock market.

Share prices have underperformed the rest of the market by so much that investors are now in the unusual position of [redacted] their portfolios on [redacted] of dividend yield [redacted] than capital growth, as [redacted] the case [redacted] than a decade.

This means that what happens to the dividend pay-outs in the results season is at least as important as the pre-tax profits figures.

At Glaxo, where first half results are released today, the dividend is likely to rise to between 8p and 9p, compared with 7p a year ago.

The company has a policy of paying a much higher final dividend, forecast by stockbroker Goldman Sachs to be 25p this year, giving a yield of well over 4 per cent.

The [redacted] pre-tax profits is from just over £900m to about £970m.

Shareholders are also likely to [redacted] Sir Richard Sykes, chief executive, on speculation [redacted] pany will form an alliance with Pfizer, the US drugs company. The two have had talks on collaboration ahead of the implementation [redacted] of the Clinton administration's [redacted] reforms. Sir Richard may also indicate how talks are going with other companies, including those at [redacted] end of the business.

Developments in the US will also be picked over in any [redacted] SmithKline Beecham, whose full-year figures are due on February 22.

Tagamet, the ulcer treatment that [redacted] once [redacted] selling drug, loses US patent protection in [redacted]. The company's share price is already sensitive to indications of the speed of the sales decline and of how fast sales of an over-the-counter version will grow.

SB's pre-tax profits are expected at about £1.22bn, compared with £1.12bn and the dividend rise should be about 1.8p to 10.4p, giving a gross yield of more than 3 per cent.

Zeneca will on March 3 reveal its first set of full-year figures since its demerger from ICI last summer. The company should show it has made at least £600m pre-tax. At the [redacted] of the demerger it indicated that it would pay a dividend of 27.5p. This would give a gross yield of about 4.5 per [redacted].

Within the figures, there will be much interest over whether the rapid growth of Zestril, a heart treatment, can be maintained. The drug [redacted] be close to becoming the company's biggest selling product; and the company's debt level [redacted] coming down quickly as it cuts costs.

F[redacted] results on [redacted] profits have slumped [redacted] in [redacted] with [redacted] company's profits warning [redacted] accompanied the departure of Mr Cedric Scroggs, the chief executive, in December [redacted].

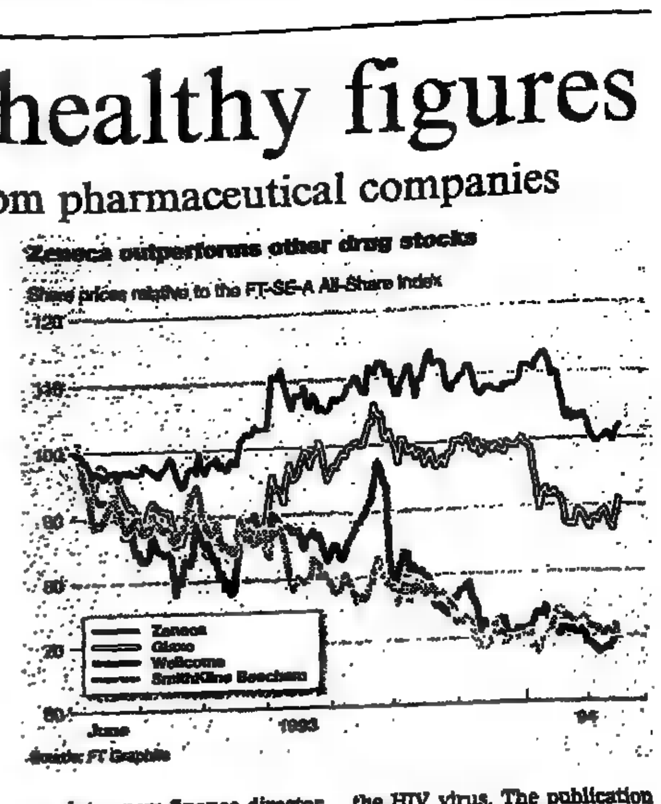
The [redacted] is yet to appoint a new finance director or chief executive. Indications that there has been progress on either search should bolster the share price.

At Wellcome, where interim results are due on March 24, a cash pile of about £600m provides a [redacted] cushion against the difficulties the company is having with its [redacted] drug, [redacted].

[redacted] drugs [redacted] that Retrovir should not be used in patients that do not show symptoms of Aids even though they are infected with the HIV virus. The publication of further trial results is likely before the company's results are published.

The company's biggest selling drug, anti-viral Zovirax, should once again be a star performer. Competition for Zovirax is emerging for the first time in the shape [redacted] SmithKline Beecham's [redacted], but this will not affect [redacted] figures.

Pre-tax profits [redacted] Wellcome are expected by broker James Capel to rise by 12 per cent to [redacted].



BAT unit estimates earthquake claims

By Richard Lapper

[redacted] Group, the US insurance subsidiary of BAT Industries, expects its [redacted] to [redacted] preliminary claims of about £400m from the California earthquake last month.

However, BAT said yesterday that "a substantial proportion" of this could be recovered from "reinsurance [redacted]".

[redacted] the earthquake losses are significant, the exchanges have more than ample [redacted] resources to pay claims without disrupting their investment portfolio.

Moreover, [redacted] claims will have no [redacted] on BAT's reported profits, since the underwriting losses only affect the exchanges. Farmers' earns fee income for various insurance services [redacted] to [redacted] exchanges.

Farmers has received 27,000 separate reports of loss and expects to pay about 13,500 claims, with [redacted] personal (home and motor) and commercial [redacted] equally [redacted].

BAT [redacted] than one third of its customers buy earthquake insurance, which [redacted] perceived as expensive. All policies carry substantial [redacted].

County Smaller Cos seeks £35m and plans name change

By Bethan Hutton

County Smaller Companies Investment Trust [redacted] raise more than [redacted] through a placing [redacted] open [redacted] of conversion [redacted] change its name to NatWest Smaller Companies Investment Trust.

Qualifying share and warrant holders will be entitled to buy three C shares at 125p for every two ordinary shares or warrants already held. On conversion, one warrant will be issued for every five new ordinary shares.

The placing and offer has been underwritten by UBS.

Dealings in the C shares are expected to start on March 18, and conversion will take place by July 28.

The trust is managed by NatWest Investment Management, formerly known as County NatWest Investment Management.

The proposed name change is intended [redacted] reflect this.

Results for the period from July 1 to December 31 showed the trust's net asset value per share ahead to 116.65p, an increase of 15.8 per cent.

Earnings per share rose from 1.06p to 1.45p.

The board has declared an unchanged interim dividend of 1.125p, as the portfolio is being weighted towards stocks with higher growth prospects but lower yields.

Write-off cuts Benson to £65,000

[redacted] profits of Benson Group, the Wolverhampton-based engineer, fell from £817,000 [redacted] in [redacted] months to November 30.

The outcome came on turnover up from £12.5m to £12.6m and was after interest payable of £267,000 (£269,000) and a transfer to reserves of £763,000 to restore goodwill written off in 1989 on an acquisition since disposed of.

Mr Richard Phillips, chairman, said that during the period much had been done to improve the quality of earnings in the group's principal businesses.

Profits at the operating level, at £1.1m, were in line with expectations and just ahead of last year's figure.

Since the period-end the company had formed a joint venture with Siemens – Benson Building Technology Systems – and has acquired Diffusion Environmental Systems from the API Group, he added.

Losses per share came out at 0.04p (0.55p earnings) and the interim dividend is unchanged at 0.1p.

Control Techs order book ahead

Mr Trevor Wheatley, chairman of Control Techniques, told the annual meeting that the company had witnessed an "encouraging" 12 per cent increase in order bookings during the first quarter.

He said several large orders had been received from the US for delivery in the second half "confirming emergence from recession". Growth in the Asia Pacific division had continued while some parts of Europe were beginning to improve.

The company makes electronic drives and controls. Its shares closed 18p up at 461p.

Near-47% rise in Finsbury Smaller net asset value

A near-47 per cent growth in net asset value per share, from 116.7p to 171.4p, was yesterday reported by Finsbury Smaller Companies Trust for 1993.

The performance outpaced the trust's benchmark – the Hoare Govett Smaller Companies Index – which rose 37 per cent over the same period.

Net revenue for the year amounted to £436,000 (£283,000) for earnings of 3.2p (3p) per share, all of which, following a proposed final dividend of 1.4p, will be distributed to shareholders.

Embassy Property sale nets £1.9m

Embassy Property Group, the USM-quoted development and construction company, said that its share of net proceeds from the sale of its joint venture site in Edmund Street, Birmingham, was £1.92m.

This [redacted] a [redacted] value of the site [redacted] March 31 1993 of £1.16m. Total consideration for the sale amounted to [redacted].

Embassy Property's joint venture partner in the Birmingham site is Five Oaks [redacted].

Hanson refinancing plans for Quantum junk bond debt

By Maggie Urry

[redacted] yesterday [redacted] plans to complete the refinancing of [redacted]tum Chemical Corporation's [redacted] (£1.6bn) of junk [redacted].

Hanson, the Anglo-American conglomerate, acquired Quantum on September 30 last year, [redacted] day [redacted] financial year. The purchase price [redacted] $3.4bn included taking [redacted] $2.6bn of debt.

Hanson [redacted] to [redacted] three bond issues on March 15 with a total of [redacted] outstanding, which were paying an average interest rate of 11.4 per cent. It [redacted] already redeemed $1.15bn of bonds at the end of October last year and bought $300m of bonds in the market. Altogether this debt bore an average rate of 11 per cent.

Mr Martin Taylor, vice-chairman, said the group would refinance this debt at about half that interest rate, through a variety of markets. Hanson shares rose 4p to 287½p yesterday.

When Hanson bought Quantum it said refinancing the debt would save $125m a year in interest. At the time of the acquisition it made a provision of £132m to cover the redemption costs, which included the difference between the actual interest being paid and [redacted] Hanson would normally pay on its [redacted]. Thus the [redacted] interest [redacted] of Quantum's debt was [redacted] responsible for [redacted] £37m swing to interest payable [redacted] quarter results [redacted] on Tuesday.

[redacted] as refinancing [redacted] debt, [redacted] to cut costs at Quantum. It closed the New York corporate office and Quantum's three [redacted] polymer [redacted] separated [redacted] the business, polyethylene and [redacted] Propane, [redacted] report independently into Hanson Industries, [redacted] head [redacted].

TDG quits Australia and plans expansion of core activities

By Andrew Bolger

Transport Development Group [redacted] agreed to [redacted] Transic [redacted] Australian subsidiary companies [redacted] Jamison Equity [redacted] £21.5m cash.

The proceeds will [redacted] used [redacted] expand TDG's European activities operating [redacted] core business areas [redacted] distribution, storage, transport and hire. [redacted] withdrawal from Australia [redacted] a further step in the group's stated objective of being a [redacted] European logistics group.

The Australian companies are principally engaged in providing storage, distribution [redacted] transport services on Australia's [redacted] and southern [redacted].

Jamison, [redacted] Australian company with [redacted] in manufacturing, retailing, private medical services and stevedoring. [redacted] companies [redacted] present [redacted].

The Australian companies [redacted] pre-tax profits [redacted] before group finance charges in [redacted] had [redacted] of £20.9m.

[redacted] Harris Distribution, a division of TDG, has lost out in its [redacted] for the [redacted] build and operate [redacted] for [redacted] Confectionery. The new facility, [redacted] fully operational until late [redacted] early [redacted], will replace [redacted] currently [redacted] Mars business, at Elmdon, near [redacted]mingham, [redacted] Heywood, [redacted] Manchester. [redacted] contractual arrangements with [redacted] compensation [redacted] the possible closure [redacted] warehouses, which have [redacted]bined annual [redacted] of [redacted].

Pains Fireworks acquisition

[redacted] Fireworks, [redacted] company, has acquired Bournemouth-based [redacted] and as a result, now claims to [redacted] country's leading firework display [redacted].

[redacted] said the [redacted] was a logical move that would bring significant marketing benefits.

Eight displays for the English Philharmonic [redacted]tra and two other substantial [redacted] displays are [redacted] that have been [redacted] Pains' 1994 schedule following the acquisition.

Brooke Tool expands in US

Brooke [redacted] Engineering, the [redacted] cutting [redacted] and coil springs company, has, through its [redacted] Cutting Tools offshoot, acquired [redacted] Saws of Chicago from [redacted] in the [redacted] of Illinois.

[redacted] for the current [redacted] is [redacted] (£137,000). [redacted] plant [redacted] machinery plus $50,000 deferred for 12 months.

[redacted] the [redacted] US maker [redacted] off saws, incurred pre-tax [redacted] of [redacted] in the nine months [redacted] September [redacted].

Mr John Dashper, [redacted] Tool chairman, said: "The [redacted] is a major market for our products and having a manufacturing base will allow us to penetrate [redacted] previously [redacted] available to us as an importer."

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not [redacted] The sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- [redacted], Glaxo, Int Ocean & Gas, [redacted]

Finals- Anglo & Overseas Tst, Bank Leumi (UK), English & Overseas Properties, Kleinwort Benson, River & Mercantile Tst, Throgmorton Tst, Valtec, Ward, Wichan.

FUTURE DATES

Interims-	
Goodwin	[redacted]
Polypipe	Mar. 8
Rane	Mar. 1
SWP	Feb. 28
Sinclair (William)	[redacted] 1
[redacted]	
Arg[redacted]	May 25
Bowthorpe	Mar. 22
Courtaulds Textiles	Mar. 17
Horace Small Apparel	Feb. 23
Lilleshall	Feb. 28
Portals	Mar. 9
United Biscuits	Mar. 17

DIVIDENDS ANNOUNCED

		Current payment	[redacted] of payment	Corres - ponding dividend	[redacted] for [redacted]	[redacted] [redacted] year
Benson Group	int	0.1	Apr 11	0.1	-	0.3
County Smaller	int	1.125	Mar 31	1.125	-	3
Finsbury Smaller	fin	1.4	Apr 27	2	3.2§	3
Gartmore Emerg	fin	0.17	Apr 28	0.15	0.17	0.15
Leslie Wise	fin	2.25	Apr 14	2.25	4	4
Trust of Prop	fin	1.5785	Apr 8	1.503	1.5785	1.503
Vardon	fin	0.825†	May 6	0.5	1.125	0.75
Yeoman Inv Tst	fin	1.5	Apr 5	nil	13.4	13.8

Dividends shown pence per share net except where otherwise stated. †On increased capital. §Includes special of 0.7p.

1/2 hour period ending	Pool purchase price	Pool purchase price	Pool selling price
0030	[illegible]	[illegible]	18.06
0100	[illegible]	[illegible]	27.77
[illegible]	[illegible]	26.22	27.77
0200	[illegible]	[illegible]	27.77
0230	[illegible]	[illegible]	27.77
0300	[illegible]	26.22	27.77
[illegible]	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]

Auditors voice disquiet over HunterPrint debt

By Tim Burt

[redacted] in HunterPrint, the specialist printing group, lost [redacted] per cent [redacted] their [redacted] terday [redacted] its auditors [redacted] "fundamental uncertainty" over the going concern assumption [redacted] in the [redacted]

The shares closed down 4p at 16p after BDO Binder Hamlyn said: "The group meets its day to day working capital requirements through [redacted] facility, which [redacted] the year [redacted] was substantially utilised.

"There is [redacted] material level of concern as to the appropriateness of the going concern basis."

In the 12 months to September [redacted] last year, the group incurred [redacted] before tax, compared with [redacted] restated loss of £12.2m in 1992.

Despite the apparent improvement, the auditors [redacted] understood to have expressed disquiet at the group's growing borrowing requirement.

HunterPrint last year increased its bank [redacted] £8.9m from [redacted] £3.4m, while at the same maintaining a £6m loan [redacted] Corby factory.

Although Barclays, the group's banker, has extended financing [redacted] September 30 this [redacted] are [redacted] on demand.

[redacted] Geoff Eades, [redacted] director, [redacted] borrowings of £17.9m [redacted] higher than expected, but [redacted] institutional [redacted] *fully behind the* group.

He said gearing had [redacted] group spent [redacted] on plant [redacted] including [redacted]

[redacted] purchased to [redacted] capacity [redacted] printing [redacted] with [redacted] Newspapers, Mirror Group Newspapers [redacted] Guardian [redacted] Group, [redacted] a combined [redacted] year.

HunterPrint [redacted] ing a cost-cutting [redacted] expected to [redacted] £3m, [redacted]

"Wages [redacted] have [redacted] 10 per [redacted] and [redacted] will [redacted] looking [redacted] further savings," he said.

Large [redacted] shareholders, [redacted] ity and [redacted] Life, [redacted] yesterday [redacted] of [redacted] situation and welcomed [redacted] by [redacted] group [redacted] spending.

Pressure at core reins in L Wise

By Tim Burt

Leslie Wise yesterday blamed a flat year-end performance on volatile trading conditions in the retail sector.

Pre-tax profits at the the textile and garment group, which supplies chains such as Burton and Etam, dipped from £2.52m [redacted] in the [redacted] November 30.

Mr John Gowers, chief executive, said profits had been undermined by an [redacted] exceptional charge to cover legal costs of an aborted takeover bid.

Turnover [redacted] virtually unchanged at £49.5m (£48.7m).

Nevertheless, sales in the textile division increased by 6 per cent and operating profits rose by 22 per cent.

The improvement was offset, however, [redacted] pressure on margins in the core garment business, due to [redacted] volumes [redacted] raw material [redacted]

Operating profit fell to [redacted] Earnings per [redacted] declined [redacted] 4.74p (4.96p).

[redacted] said that in the current year "we propose to continue to aggressively seek profit growth through increased sales, internal rationalisation and by acquisition or organic growth when appropriate".

The final dividend is held at 2.25p for the second year, to give an unchanged total of 4p.

The shares closed up 3p at 87p.

Alvis expands with Unipower buy

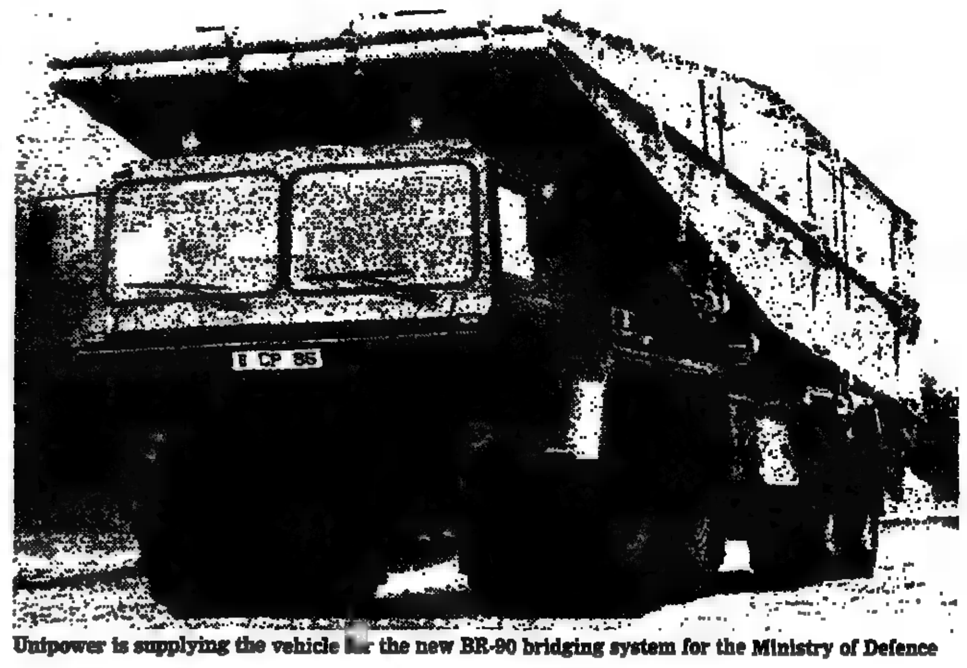
By Andrew Bolger

Alvis, the defence contractor, [redacted] bought Unipower, the [redacted] tary [redacted]

Alvis, which makes [redacted] vehicles, [redacted] paying an initial [redacted] making [redacted] complementary product [redacted] opportunities [redacted] growth [redacted] military and civil [redacted]

Alvis shares advanced by 9p to 67p.

[redacted] will [redacted] assume Unipower's [redacted] of [redacted] A [redacted] of up to [redacted] in [redacted] may [redacted] payable, depending [redacted] orders [redacted]



Unipower is supplying the vehicle [redacted] the new BR-90 bridging system for the Ministry of Defence

Mr Nick Prest, chief executive of Alvis, said: "Since the sale of our European electro-optics business in July 1993, we have been looking to expand our specialist engineering interests [redacted] the UK."

Unipower bought some of the assets of the former Scammell division of Leyland trucks in 1988 from the Rover Group, and its main products are in the Scammell tradition.

In November, the company won [redacted] £22.5m contract from a subsidiary of Rolls-Royce to supply the vehicle for the new BR-90 bridging system for the Ministry of Defence. Alvis said yesterday the UK had historically been [redacted] world leader in military bridging, [redacted] BR-90 system had good export [redacted]

Unipower made an operating profit [redacted] on [redacted] April [redacted] heads had been maintained in anticipation of the BR-90 [redacted] tract, which [redacted] continually [redacted] This [redacted] and by November 30 [redacted] on [redacted] was [redacted]

Unipower, [redacted] employs 95 people, also has [redacted] 70 per cent- [redacted] subsidiary, [redacted] Export Supplies, which principally distributes Land [redacted] to Africa, paid for by aid agen- [redacted] has an order book [redacted] and [redacted] trading profitably.

Alvis said Unipower was expected [redacted] return [redacted] profitability [redacted] with [redacted] of the BR-90 [redacted] The acquisition was expected [redacted] have a [redacted] impact [redacted] earnings in [redacted] rent [redacted] September, but would [redacted] earnings in the following year.

Herald raises £65m via placing

By Bethan Hutton

Herald Investment Trust, a new fund specialising in small media and communications companies, has raised £65m through a placing.

The issue was up to 50 per cent oversubscribed after the size of the fund was capped to allow manageable investment within its stated objectives.

The trust is to be managed by Ms Katie Potts, a former *electronics analyst at SG Warburg*, now at Rutherford Asset Management. The company is best known for its Pilot Investment Trust, which specialises in very small companies with market capitalisations under £30m.

The new trust will invest in companies with market capitalisations of less than £300m in the information technology, software, broadcasting, printing and publishing fields.

Dealings in ordinary shares and warrants – attached on a 1-for-5 basis – are expected to start on Monday.

Trencherwood returns to the black with £1.8m

By Simon Davies

Trencherwood, the Newbury-[redacted] housebuilder, [redacted] to the black in the 12 [redacted] to October 31 after three years of [redacted]

The company continued [redacted] suffer operating losses before exceptional items in 1993, but management is confident that 1994 will be [redacted] turnround year, with significant improvements in profit margins and sales vol-[redacted]

Pre-tax profits amounted to £1.8m, compared with losses of £21.4m, but the latest figure included a £1.9m write-back of provisions and a £1.24m profit from the sale of [redacted] subsidiary.

Turnover declined to £15.3m (£18.9m), but the cost of sales fell [redacted] cent to £12.8m because of [redacted] cut in [redacted] to house purchasers and a fall in construction costs.

The number [redacted] units [redacted] increased by 14 per cent to 188, and [redacted] Richard Brooke, finance director, said the company was targeting a 25 per cent increase in unit sales during the current year.

He was confident that the cost [redacted] would not increase during 1994 because of [redacted] pricing for [redacted] continuing overhangs [redacted] building [redacted] supplies.

In addition, house prices increased by an estimated 5-6 per cent last year and Mr Brooke expected similar increases during [redacted] year.

Trencherwood went through a radical refinancing in early 1993, swapping £35m in bank debt and claims into equity. At the year end it still had net *debt of £26m, despite receiving* proceeds from the sale of an [redacted] property development [redacted] J Sainsbury for [redacted] sum.

The company [redacted] continuing [redacted] sell land outside its core area of Berkshire. It disposed of £1.9m of land last year and plans [redacted] reduce [redacted] its [redacted] to commercial [redacted] erty development.

During [redacted] Trencherwood bought £2.3m of [redacted] land [redacted] at October [redacted] had [redacted] comprising 6,912 plots, [redacted] which [redacted] had planning permission.

Earnings [redacted] share amounted to 3.45p [redacted] 1.88p fully diluted, compared with [redacted] of 83.1p. [redacted] company [redacted] proposing a dividend.

Trifast up 15p on offer price

In first day dealings, shares of Trifast, the Sussex-based industrial fastener group, closed at 215p – a 15p premium over the offer price.

Some 7.87m shares were placed by James Capel raising £15.7m, of which £12.2m went to Mr Mike Timms and Mr Mike Roberts, the founders who retain a 40 per cent stake in the company.

Trifast is expecting pre-tax profits of not less than £2.55m for the year to March 31. That would compare with £1.98m for 1992-93.

Mr Malcolm Diamond, managing director, said he was "delighted" with the take-up of the shares. He added that the listing was another step in [redacted] development of Trifast, which was [redacted] for expansion both organically and by acquisition in the UK and [redacted]

Jas Wilkes shares fall on statement

Shares in James Wilkes fell 6p to 176p yesterday after the specialist engineer said that, other than recent speculation concerning the intentions of Suter, the industrial conglomerate, it was not aware of any specific reason for the recent share price increase.

The shares jumped 17p to 182p on Tuesday, but the company said yesterday that it was not currently in [redacted] with Suter or any other party.

Earlier this month, [redacted] raised [redacted] holding in Wilkes to 5.21m [redacted] cent). [redacted] said then that [redacted] shares were for investment purposes and no [redacted] had been made about the next [redacted]

Trust of Property net assets ahead

[redacted] per [redacted] of Trust [redacted] Property [redacted] from 57.14p to [redacted] 12 months [redacted] December 31. By February 11, the figure had risen [redacted] 113.54p.

[redacted] improved from [redacted] equal to [redacted] of 1.612p (1.529p).

The single dividend is increased from 1.503p [redacted] 1.5785p.

[redacted] trust [redacted] in UK-[redacted] property companies. It [redacted] had [redacted] a return of [redacted] in real [redacted] by institutional investors and added that the [redacted] successful GATT [redacted] property industry.

Fleming Fledgeling raises net asset value by 36%

Fleming Fledgeling Investment [redacted] reported [redacted] 36 per [redacted] in net asset value, from 288.4p to 392.8p, for the year to December 31.

The trust [redacted] the main movement in [redacted] portfolio had comprised a reduction in US weighting together with [redacted] build-up [redacted] bank overdraft, [redacted] in Japan, Europe [redacted] Asia.

[redacted] to [redacted] (£471,000) and [redacted] ings per share were 1.94p (3.74p).

[redacted] dividend for [redacted] unchanged at [redacted] via a final of 2p.

Brown & Jackson £7m stores [redacted]

Brown & Jackson, owner of the Poundstretcher discount retail chain, has exchanged contracts with British Aerospace Pension Fund for the [redacted] and leaseback of 18 [redacted] for a total £7.1m.

Five of the properties are in Scotland, 12 in northern England and two in southern England. The total rental commitment gives a net purchase yield of 10.2 per cent.

Brown & Jackson will receive about £5.9m net on completion.

MAI/Anglia offer

MAI's [redacted] for Anglia Television Group [redacted] been accepted in respect [redacted] 81.32 per [redacted] the Anglia equity and [redacted] now unconditional.

To restructure and not expand

Tim Burt looks at the changing nature of M&A activity

Tracking takeover activity is an inexact science. Sheraton's surprise [redacted] bid [redacted] Ciga, the Italian hotels group, has bucked the trend in the hotel *sector just when analysts were* predicting a quiet period for mergers and acquisitions.

Such unexpected bids can undermine thousands of man hours invested by leading merchant banks and accountancy firms to spot markets where companies are ripe for the [redacted]

In the [redacted] sector, [redacted] example, [redacted] declining [redacted] activity [redacted] been [redacted] by BMW's agreed £800m takeover of Rover Group.

Faced with increasingly unpredictable boardroom moves, merchant banks and accountants have this year begun to concentrate on the geography of takeover activity rather than the industries involved.

The consensus emerging in the City points to a sharp increase in joint venture deals and equity purchases in the North American and newly emerging markets.

In the US, ratification of the North American Free Trade Agreement and renewed confidence following the first year of the Clinton administration attracted a wave of new investors who bought equity stakes worth more than $34bn (£23bn) compared with $13.7bn in 1992.

US companies, meanwhile, spent almost $40bn on overseas joint ventures and partial acquisitions, up from $22.5bn the year before.

Of the developing markets, [redacted] says China [redacted] the prize [redacted] with [redacted] companies investing *$15.2bn,* [redacted] *from $5.2bn, in* joint ventures and equity acquisitions.

In Europe, however, activity slowed. The accountancy firm's figures on EU activity put [redacted] of equity stakes [redacted] $41.3bn, compared with [redacted] in [redacted]

Outright disposals fell more sharply, down from [redacted] in [redacted]

An even gloomier picture [redacted] painted by Translink, [redacted] It [redacted] the total value of cross-border deals was at its lowest level for five years despite [redacted] small increase in [redacted] number [redacted] completed.

After [redacted] out the negative [redacted] in Europe [redacted] sion and uncertainty [redacted] Maastricht and the appeal of investing in emerging market [redacted] as China, City [redacted] and [redacted] believe [redacted] activity is undergoing [redacted] long-term [redacted] upheaval.

They [redacted] fewer companies [redacted] can now afford outright acquisitions, [redacted] cially financed by borrowing, [redacted] had [redacted] a marked shift to [redacted] equity purchases [redacted] joint [redacted]

Mr Richard Agutter, [redacted] partner [redacted] KPMG, [redacted] "Some companies [redacted] acquisitions should [redacted]"

He cites British Telecommunications's decision to take a 20 per cent stake in MCI of the US as an example of this piecemeal strategy.

"Companies are being more *cautious – it is no longer a* [redacted] of simply asking themselves whether they have the money to afford the deal [redacted] whether they should be considering the [redacted] in [redacted] first place," he adds.

His view [redacted] by [redacted] rate finance directors [redacted] merchant banks [redacted] Warburg, Morgan [redacted] and [redacted]

Mapping the trends for 1994, they share a common belief that [redacted] activity is being fuelled by the need to restructure rather than the need to expand.

According to Mr [redacted] Simson, head of corporate finance [redacted] SG Warburg, such needs forced BAe [redacted] sign a deal enabling it to focus on core [redacted] and [redacted] activities, while [redacted] securing for BMW an [redacted] supply [redacted] cars and components at [redacted] unit [redacted] than in Germany.

Further deals, he predicts, will [redacted] place [redacted] companies come "under [redacted] shareholder value by selling *non-core divisions.*"

According to Mr Guy Dawson, his counterpart at Morgan Grenfell, disposals [redacted] businesses will lead to [redacted] activity in most sectors, particularly in telecommunications, [redacted] and [redacted] motor industry.

Yet the busiest sectors appear [redacted] non-manufacturing sectors, with oil and [redacted] and utilities leading [redacted] league [redacted] cross-border [redacted]

The growth [redacted] has been attributed [redacted] *opportunities* [redacted] *developing* [redacted] previously closed [redacted] prohibitive tariffs.

At Schroders, meanwhile, Mr [redacted] Broadbent, [redacted] of investment banking, says future activity in such industries will [redacted] by large corporate players trying to win a commanding position in their particular sectors.

"Companies are looking five years [redacted] planning acquisition and disposals now [redacted] streamline their businesses [redacted] the [redacted] century," he [redacted]

The merchant [redacted] claim companies have learned – [redacted] the hard [redacted] making costly non-core acquisitions in the 1980s – that there [redacted] economies of [redacted] in further diversity.

Their corporate [redacted] are agreed: restructuring will prompt [redacted] activity [redacted] large companies sell off [redacted] ing smaller competitors with *little option* [redacted] *to* [redacted] *to* survive on [redacted] international [redacted]

"Fashions [redacted] changing," [redacted] Mr Broadbent. "The [redacted] M&A boom was due to [redacted] overavailability [redacted] finance. The next upturn will [redacted] driven by an upheaval in corporate planning."

PUBLIC WORKS LOAN BOARD RATES

[redacted] February 15

Quota loans*

[redacted]	[redacted]	[redacted]	[redacted]
1			[redacted]
Over 1 up to 2	5½	[redacted]	[redacted]
Over 2 up to 3	5½	5½	[redacted]
Over 3 up to 4	5¾	5¾	6¼
Over 4 up to 5	[redacted]	[redacted]	[redacted]
Over 5 up to 6	[redacted]	[redacted]	[redacted]
Over 6 up to 7	6⅛	6¼	[redacted]
Over 7 up to 8	6¼	6⅜	[redacted]
Over 8 up to 9	6⅜	6½	[redacted]
Over 9 up to 10	[redacted]	6⅝	7¼
Over 10 up to 15	7	7⅛	[redacted]
Over 15 up to 25	[redacted]	7⅜	7⅜
Over 25	[redacted]	[redacted]	[redacted]

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. ††Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Continental (Bermuda) Limited
US$ 250,000,000
Floating Rate Notes due 2006
Guaranteed by
Hungarian Foreign Trade Bank Ltd

Notice is hereby given that as at the valuation date 9th February 1994, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US$ 124,424,200.00 and the value of the Company's reserve fund was US$ 61,519,633.51. The aggregate value of the Noteholders security was thus 74.46 percent of the principal amount of Notes outstanding at the valuation date.

The determination and publication of [redacted] figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent, [redacted] the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund [redacted]

Valuation Agent
Giro Credit Bank [redacted] der Sparkassen, London Branch

ALBERT FISHER FINANCE N.V.
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that an annual general meeting [redacted] FISHER FINANCE N.V. (the "Company") will be held at 15 Pietermaai, Curaçao, at 10:00 am local time on February 24, 1994.

The meeting is being called to present and adopt the balance sheet and the profit and loss account for the year ended 31 August 1993 and to conduct certain other routine [redacted]

The agenda of the meeting is deposited for the shareholders for inspection at the office of the Company at 15 Pietermaai, Curaçao.

By order of
The Board of Managing Directors

COMMODITIES [illegible] AGRICULTURE

Coal exporters reeling from second price blow

By Gerard McCloskey

The sharp reduction in coking [illegible] prices agreed between Japan and [illegible] Canadian and [illegible] suppliers has been followed by an even [illegible] cut on the European market. In the first major European settlement for 1994 supplies the Canadian producer Fording [illegible] cut [illegible] prices to the Spanish steel producer Ensidesa by $4 a tonne.

In Japan all the other Canadian and Australian coking coal exporters [illegible] to [illegible] Fording's price [illegible] of [illegible] setting [illegible] new benchmark of [illegible] a tonne. With [illegible] agreement not only [illegible] Fording accepting [illegible] bigger price reduction but it [illegible] cutting from [illegible] much lower [illegible].

While some [illegible] producers have accepted [illegible] they will be forced [illegible] match the [illegible] price for [illegible] into Spain, the ability of the Australians to [illegible] this as a price [illegible] will be limited. It is believed [illegible] only BHP Australia, [illegible] world's biggest coal exporter, will be able to accept [illegible] Japanese benchmark; and [illegible] this company will be pushed [illegible] match the [illegible] price if it [illegible] and did not return to full production for [illegible] year – and Greenhills, which it purchased from the [illegible] Bankruptcy. And what [illegible] good for the mine is doubly so for its partner, the Canadian [illegible] railroad, which [illegible] all Fording's [illegible] for export at [illegible].

Already the earlier settlement in Tokyo [illegible] to a [illegible] in Australia, with Mr John Maitland, the [illegible] Mineworkers Federation president, urging [illegible] government against approving the new prices [illegible] Department of Primary [illegible] Energy has the right to block any coal price settlements [illegible] seldom [illegible].

[illegible] mining [illegible] executives [illegible] privately applaud Mr Maitland's view – if not his strike call – predict mine closures as [illegible] of the new prices.

Fording's willingness [illegible] accept lower and [illegible] prices is driven by its desire to maximise [illegible] from both Fording River – [illegible] which had suffered an extended strike in [illegible] and did not return to full production for [illegible] year – and Greenhills, which it purchased from the [illegible] Bankruptcy.

Fording [illegible] to produce and sell [illegible], an [illegible] which in a [illegible] market with increasing supply [illegible] only be [illegible] one [illegible] – by predatory pricing.

Upturn in rubber demand forecast

By Alison Maitland

[illegible] of synthetic rubber by the former Soviet republics and China, [illegible] North Korea [illegible] likely [illegible] sharply over the next five years, according to a report by the International Institute of Synthetic Rubber Producers.

The Houston-based [illegible] said it expected worldwide consumption to [illegible] by [illegible] per cent to more than 11m [illegible] in [illegible] after a [illegible] per cent fall [illegible] by [illegible].

Growth in synthetic rubber consumption in the Commonwealth of Independent States would jump by 90 per cent, partly reflecting a bounce back from a 37 per cent fall [illegible] caused by [illegible] difficulties.

China, Vietnam and North Korea would [illegible] per cent more synthetic rubber, which is used particularly for tyres and tyre products.

The institute also predicts that consumption of natural rubber will rise by an annual rate of 3.2 per cent over the next five years. The former Soviet republics, which used to favour synthetic, would see particularly strong growth.

"As the region [illegible] toward [illegible] more traditional balance between synthetic and natural rubber, [illegible] growth in natural rubber consumption [illegible] expected [illegible] be [illegible] per cent," said Mr Conrad Jankowski, managing [illegible].

Aluminium market 'faces long haul'

By Nikki Tait in Sydney

Market equilibrium in the troubled aluminium [illegible] is unlikely before 1996, according to a study by Australian Mineral Economics.

The forecaster says that, with market prices hovering above US$1,000 a tonne and a record 4.2m tonnes of primary aluminium in world stockpiles, the industry "now faces a long haul back".

Prices will remain weak in the short-term, it suggests, and could drop below the US$1,000 a tonne in the first half of this year.

AME forecasts an [illegible] price of $1,100 a tonne in 1994, rising to US$1,400 by 1995. Consumption growth in 1994 and 1995 will average close to 4 per cent, it thinks, helped by the US [illegible] recovery and improvement in other members of the Organisation [illegible] Economic Co-operation and Development. The consumption growth [illegible] OECD economies "will [illegible] than [illegible] previous cyclical upswings".

[illegible] study [illegible]. But [illegible] upturn should be sufficient [illegible] outstrip primary production in the western world and CIS imports. Industry stocks, therefore, [illegible] see some reduction.

Only in 1996 [illegible] AME suggest that prices could be moving back towards [illegible] "long-term trend" at about $1,600 [illegible] tonne. By the late-1990s, it predicts further rises [illegible] or higher, with stocks possibly dropping to [illegible] little [illegible] 1.2 months consumption by 1999. [illegible] new cyclical downturn could then [illegible] stocks rising again [illegible] the year [illegible].

Co-operative spirit fades as world bauxite prices languish

Canute James talks to the president of the industry association

Members of the International Bauxite Association and other producers [illegible] bauxite (aluminium ore), already depressed by falling demand [illegible] of a [illegible] international aluminium [illegible], have [illegible] been encouraged by [illegible] of the [illegible] the strategic [illegible] of the [illegible] that [illegible] has built up [illegible] the early [illegible].

Mr Nemad Altman, secretary general of the IBA, [illegible] the move will [illegible] all [illegible] producers, [illegible] only [illegible] association [illegible]. "It is not just the quantity which is being sold, [illegible] years," Mr Altman [illegible]. "Producers are being [illegible] affected by the price, which is [illegible] per tonne. This will push prices further down. It is a small proportion of world production but the psychological impact on the market will be severe."

The waning fortunes of the [illegible] bauxite producers have coincided with some soul searching among the IBA's [illegible] about the organisation [illegible]. [illegible] years ago it [illegible] clear of any attempt to create a cartel [illegible] industry, as was feared by the [illegible] companies, some of which made highly unrealistic comparisons to the Organisation of Petroleum Exporting Countries. Rather, the IBA has acted as a data bank and forum [illegible] members.

In better [illegible] the IBA's members have accounted for about 85 per cent of the western world's bauxite production, while contributing [illegible] per cent of alumina (aluminium oxide) production and [illegible] per cent of primary aluminium output. The [illegible] of its founding members, the Dominican Republic and Haiti, in the 1980s [illegible] folded, had no [illegible] the IBA. [illegible] the decision [illegible] of Australia, the world's largest producer, not to renew its membership seriously reduced the organisation's weight and influence.

"Given the state of the market and the problems facing bauxite producers, now is the time they [illegible] be getting closer together to defend their common interests," says a representative of [illegible] industry. "But this is not happening. There appears to be less interest [illegible] in the IBA, even among some members which have been delinquent in meeting their financial obligations to the organisation."

With financial support [illegible] members based on volume of production, Australia's departure deprived the IBA of 40 per cent of its budget. "This has inevitably affected the association's budget," agrees Mr Altman. "The majority of the member countries are facing financial difficulties and so we could not operate as before [illegible] of a reduced budget."

There appears to be little [illegible] of the world's major producers to join the organisation. Active attempts to recruit Brazil drew only sufficient interest to merit it adopting the status of an observer.

Expansion may have to await [illegible] resolution of a political conundrum. The association lists its members as Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, Suriname, and Yugoslavia, which no longer exists. "The IBA is willing to extend membership to all parts of the previous Yugoslavia if they wish to continue," says the secretary general. "There is bauxite in Bosnia, Croatia, Montenegro and Serbia, but the major producer is Bosnia."

Contributing to the IBA's relatively low profile has been its inability to broker a [illegible] pact between bauxite producers and consumers under the aegis of the United Nations Committee on Trade and Development. The attempt was abandoned because of lack of support from either side, and because bauxite could not be [illegible] in [illegible] similar to those for other commodities such as cocoa and coffee, [illegible] Mr Altman.

"There is now an attempt to find common ground for a forum of producers and consumers – a [illegible] body to [illegible] the [illegible] of the industry," he says. "This would involve all [illegible] of the industry – bauxite, alumina and aluminium. There have been [illegible] meetings to see if such a forum can be established... but there is still reluctance by some to be part of this."

The IBA secretary general maintains, however, that the association's main role is to provide information on the industry to its members – one that is increasingly important at times like these when the market is languishing. Bauxite producers are "between a [illegible] and a hard place", he says, and have to decide whether it is better to sell more ore at lower prices or less at higher prices. And he warns that ore producers have no basis on which to anticipate an improvement in the market over the next two years.

"These factors are not within the direct influence of bauxite producers," Mr Altman admits. "What they need is a healthy economic recovery in the industrialised countries. The market is now heavily oversupplied and any hopes for a significant increase in consumption to soak up the surplus will not be realised soon."

Andean pipeline will give big boost to Argentine oil earnings

By John Barham in Buenos Aires

The presidents [illegible] Argentina and Chile have formally opened a [illegible] oil pipeline crossing [illegible] Andes. It links [illegible] Neuquen basin, Argentina's biggest oilfield, [illegible] Chile's [illegible] port [illegible] Concepcion.

[illegible] $215m pipeline [illegible] by YPF, Argentina's privatised [illegible] giant, and Chile's [illegible] oil [illegible] ENAP, will [illegible] Argentina's oil export earnings [illegible] be increased by [illegible] a year.

It [illegible] a transport capacity [illegible] 107,000 [illegible] a day [illegible] will relieve pressure [illegible] Argentina's [illegible] pipeline system, [illegible] loaded by a [illegible] in [illegible] following deregulation of [illegible] oil industry in 1991 [illegible] YPF's privatisation [illegible].

The presence of Argentina's [illegible] Carlos Menem and [illegible] Patricio Aylwin of [illegible] at Tuesday's inauguration ceremony further under[illegible] steadily improving [illegible] tions [illegible] traditional [illegible] to [illegible].

Chilean companies [illegible] invested $2bn in Argentina since 1990, mainly in privatised power [illegible] that [illegible] strategically sensitive hydroelectric [illegible] Andes.

MARKET REPORT

Copper price surge trimmed back at LME

COPPER prices fluctuated widely at [illegible] London [illegible] [illegible] yesterday, leaving traders in [illegible] minds [illegible] the [illegible] next move.

The three months quotation, which on Tuesday [illegible] to $1,830 [illegible] tonne before finding firm support, extended the ensuing rally to $1,909 in the morning before falling back to $1,890.50 at the close, still up $46 on the day. Dealers said Chinese and Japanese buying had [illegible] in the morning surge. "If copper [illegible] through [illegible] then the whole complex [illegible] collapse again," warned one analyst.

ALUMINIUM [illegible] the same pattern, [illegible] three months position closing $15 below its [illegible] but $27.50 [illegible] on the day at $1,280 a tonne, while the ZINC price [illegible] $20 ahead at $955.50 [illegible] tonne, after [illegible].

Compiled from Reuter

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Am[illegible] Metal Trading)

■ ALUMINIUM, [illegible] PURITY ($ per tonne)

	Cash	3 mths
Close	1267.5-8.5	1279.5-80.5
Previous	1229.5-30.5	[illegible]
High/low		1296/1268
AM Official	1266-7	1288.5-89
Kerb close		1287-8
Open int.	276,123	
Total daily turnover	[illegible]	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1110-20	1130-40
Previous	[illegible]	1115-25
High/low		1145/1135
AM Official	1125-6	1145-6
Kerb close		1140-2
Open int.	3,243	
Total daily turnover	208	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	461-2	465-6
High/low	472.5	487/486
AM Official	472-2.5	485.5-86
Kerb close		486.5-87
Open int.	[illegible]	
Total daily turnover	7,250	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5790-800	[illegible]
Previous	5680-85	5740-45
High/low	5760/5751	5895/5770
[illegible]	5789-90	[illegible]
Kerb close		5890-95
Open int.	50,607	
Total daily turnover	9,653	

■ TIN ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	[illegible]	5440-50
High/low		5640/5505
AM Official	[illegible]	5520-22
Kerb close		5600-10
Open int.	19,391	
Total daily turnover	7,265	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	[illegible]	[illegible]
Previous	934.5-5.5	[illegible]
High/low		980/962
AM Official	955-5.5	973.5-74
Kerb close		976.5-7.5
Open int.	106,787	
[illegible] turnover	13,518	

■ COPPER, grade A ($ per tonne)

[illegible]

■ HIGH GRADE COPPER (COMEX)

[illegible]

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	383.6	-0.2	383.9	[illegible]	[illegible]	[illegible]
Mar	384.0	-0.2	-	-	10	4
Apr	385.3	-0.2	385.9	384.6	70,233	38,307
Jun	387.3	-0.2	387.8	386.8	29,028	[illegible]
Aug	[illegible]	-0.2	390.3	389.0	5,169	131
Oct	391.9	-0.2	392.3	392.0	4,224	1
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Apr	405.3	+1.3	408.5	403.0	18,920	6,708
[illegible]	405.3	+1.0	408.0	403.0	[illegible]	312
Oct	[illegible]	+1.2	405.0	[illegible]	463	126
Jan	[illegible]	+1.0	[illegible]	406.0	447	14
Apr	[illegible]	+1.0	-	-	210	-
Total					21,001	7,167

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Mar	136.55	-2.25	139.00	135.00	[illegible]	292
Jun	136.30	-2.25	139.00	135.50	[illegible]	427
[illegible]	136.05	-2.50	137.75	[illegible]	[illegible]	-
Dec	[illegible]	[illegible]	[illegible]	[illegible]	123	6
Total					[illegible]	725

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Feb	527.4	+1.9	[illegible]	526.0	-	-
Mar	529.0	+1.8	[illegible]	523.5	62,604	25,144
May	531.7	+1.8	532.5	527.5	26,025	4,451
Jul	535.1	+1.8	536.0	[illegible]	10,217	[illegible]
[illegible]	[illegible]	+1.9	[illegible]	[illegible]	3,316	19
[illegible]	[illegible]	+2.0	[illegible]	540.0	[illegible]	894
Total					117,655	30,788

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	+0.17	14.32	[illegible]	[illegible]	[illegible]
Apr	[illegible]	+0.14	[illegible]	[illegible]	[illegible]	37,796
May	14.63	+0.10	14.72	14.59	43,470	11,708
Jun	14.86	[illegible]	14.84	14.85	57,580	[illegible]
Jul	[illegible]	[illegible]	[illegible]	15.05	22,384	[illegible]
Aug	[illegible]	[illegible]	15.42	15.33	13,846	[illegible]
Total					440,302	104,[illegible]

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Apr	13.31	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	13.53	+0.03	13.63	13.49	22,676	2,515
Jun	13.74	+0.04	13.77	13.71	11,683	441
[illegible]						

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

[illegible]

SOFTS

[illegible]

MEAT AND LIVESTOCK

[illegible]

■ PORK BELLIES CME [illegible] cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	57.650	+0.950	57.650	56.400	830	[illegible]
Mar	57.175	+0.425	57.400	56.300	2,110	1,[illegible]
[illegible]	58.125	+0.425	58.300	57.250	[illegible]	1,398
Jul	58.450	+0.050	58.650	57.750	[illegible]	516
[illegible]	56.050	[illegible]	56.350	55.500	[illegible]	326
Total					[illegible]	3,[illegible]

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
1225	72	98	16	[illegible]
1250	56	82	24	[illegible]
1275	42	68	35	48
■ COPPER (Grade A) LME	Apr	Jul	Apr	Jul
1800	106	136	16	28
1850	71	103	30	[illegible]
1900	44	76	52	[illegible]
■ COFFEE LCE	Mar	May	Mar	May
1100	111	125	-	[illegible]
1150	61	89	-	[illegible]
1200	13	68	2	[illegible]
■ COCOA LCE	Mar	May	Mar	May
850	22	60	-	[illegible]
875	4	46	7	38
900	-	35	28	50
■ BRENT CRUDE IPE	Apr	May	Apr	May
1400	20	-	78	-
1450	9	32	-	-
1500	5	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/[illegible])

Dubai	$12.41-2.61w	[illegible]
Brent Blend (dated)	[illegible]	[illegible]
Brent Blend (Apr)	[illegible]	[illegible]
W.T.I. (1pm est)	$14.41-4.43w	+0.15

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	[illegible]155	
Gas Oil	[illegible]-143	[illegible]
Heavy Fuel Oil	$76-78	
Naphtha	$136-140	
[illegible]	$155[illegible]	-4

Petroleum Argus Estimates

■ OTHER

Gold (per troy oz)♣	[illegible]	-1
Silver (per troy oz)♣	[illegible]	-1
Platinum (per troy oz.)	$400.75	+0.25
Palladium (per troy oz.)	$136.00	[illegible]
Copper (US prod.)	90.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	14.76	[illegible]
Tin (New York)	252.50c	+2.5
Zinc (US Prime W.)	Unq.	
Cattle (live weight)†	123.40p	+2.28*
Sheep (live weight)†♠	117.29p	+6.67*
Pigs (live weight)	73.95p	+2.87*
Lon. day sugar (raw)	$271.80	-5.30
[illegible] sugar (wte)	$308.50	-2.50
Tate & [illegible]	$296.00	-4.00
Barley (Eng. feed)	£106.75z	+0.50
Maize (US No3 Yellow)	£129.00	
[illegible] North)	£143.50	
Rubber (Mar)♥	64.00p	-1
Rubber (Apr)♥	64.25p	-1
Rubber (KL RSS No1 Feb)	238.50m	+1
Coconut Oil (Phil)§	$572.5x	-7.5
Palm Oil (Malay.)§	$382.5t	-7.5
Copra (Phil)§	$388.0	
[illegible]	£208.0y	
[illegible] Index	80.70c	
[illegible] (64s Super)	380p	

[illegible] otherwise stated. p pence/kg. c cents/lb. [illegible] cents/kg. y Feb/Apr w Apr. z Mar. t Feb/Mar. x [illegible] ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week, provisional prices.

COTTON

[illegible]

VOLUME DATA

[illegible]

INDICES

■ REUTERS (Base: 18/9/31=100)

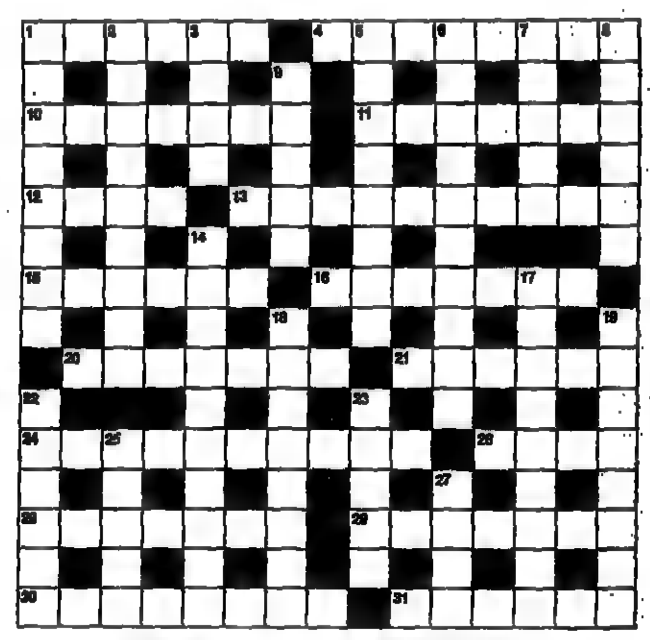
[illegible]

■ CRB Futures (Base: [illegible])

[illegible]

CROSSWORD

No.8,382 [illegible] by HIGHLANDER



ACROSS

1 Minor snub from [illegible] point [illegible] view [illegible]
4 Like [illegible] (3-5)
10 Hoping [illegible] finish off painkiller (7)
11 Shy graduate – [illegible] flush (7)
12 [illegible] used [illegible] fuel [illegible]
[illegible] American left diplomatic mission following accusation (10)
[illegible] Myst[illegible] person [illegible] with musical [illegible]
[illegible] Occasionally a non-drinker [illegible] half [illegible] (2,5)
20 [illegible] bullet [illegible] on [illegible]
21 International body [illegible] working in complete [illegible]
24 Common man is to refer to people's [illegible] (10)
[illegible] Expert [illegible] leader from ultimate peak (4)
28 One serial re[illegible] by Middle East resident (7)
29 Moved up a note, very optimistic (7)
[illegible] second vineyard, [illegible]
31 Queen has to worry about ratcatcher (6)

DOWN

1 Look carefully [illegible] and ladies' underwear (8)
2 I'm quietly putting a stop to brewing (9)
3 Tax people caught in explosive charge (4)
5 Theatrical book about Tarka and Bill, mostly (6)
6 Australians in Assam tan differently (10)
7 Reportedly [illegible] a hash of one [illegible]
8 Finding and drawing a line (8)
[illegible] II heard [illegible] of bell [illegible]
14 "M" [illegible] over corpse intended [illegible] give [illegible] concrete example (10)
17 Simple professorship [illegible]
18 [illegible] activity during battle [illegible]
19 During last month ear, [illegible] and throat all off colour (8)
22 Goes off with swag (6)
23 Beginning to jump (5)
25 Head off the panic which pro[illegible] miscalculation (5)
27 Man is one found in [illegible] ing circumstances (4)

Solution 8,381

	S	A	L	A	A	M		L	A	Y	L	O	W	
	T		E		G				M		E		H	
B	A	T	T	E	R	Y		C	U	R	T	A	I	L
	K		D		E		S		S		I		T	
B	E	F	O	R	E	T	I	M	E		T	H	E	E
			W		M		T				I		S	
	S	I	N	C	E		T	H	R	E	A	T	E	N
	E				N		I		E					A
H	E	I	G	H	T	E	N		M	A	D	A	M	
	S		A				G		A		O			
F	A	I	R		M	O	O	R	I	N	G	F	E	E
	B		O		I		N		N		T		A	
H	O	S	T	A	G	E		A	D	D	R	E	S	S
	U		T		H				E		O		E	
	T	W	E	N	T	Y		G	R	A	T	E	S	

JOTTER PAD

LONDON [illegible] EXCHANGE

MARKET REPORT

FT-SE 100 surpasses 3,400 on rate cut hopes

By Steve Thompson

Hopes that a further cut in British interest [illegible] may not [illegible] away were increased by the [illegible] outpouring of [illegible] and provided [illegible] shot [illegible] for a rejuvenated UK stock market, which moved effortlessly back [illegible] the 3,400 [illegible] yesterday.

At the close of trading, the FT-SE 100 Index was up 24.5 [illegible] 3,417.7 and the FT-SE Mid 250 Index was ahead 22.1 at [illegible]. [illegible] the past [illegible] sessions the [illegible] index [illegible] some 54 points or 1.6 per cent since it was hit by fears of an impending slide throughout world markets.

The surge in confidence and market prices yesterday came from a deluge of economic numbers pub[illegible] [illegible] the UK authorities, which mostly provided more justification for a further cut in interest rates.

More encouragement for the UK market came from an initial good performance from Wall Street yesterday, plus a rise in UK gilt-edged stocks.

Just about the only element of disappointment in the market was another relatively slack day's trading. Turnover came out at a surprisingly low 817.5m shares, with activity in non-Footsie stocks accounting for 64 per cent of the total. [illegible] were surprised at the low level of business, which they said represented only a small upturn from the weather-affected levels seen on Monday and Tuesday. The value of customer business on Tuesday edged up to £1.62bn from Monday's £1.45bn, but both these figures were well below recent average levels.

Account Dealing Dates		
*First Dealings: Jan 31	Feb [illegible]	Feb 28
Option Declarations: Feb 10	Feb 24	Mar 10
Last Dealings: Feb 11	[illegible]	Mar 11
Account Day: Feb 21	Mar 7	Mar 21

*New time dealings may take place from two business days earlier.

The equity market opened higher, but just short of the 3,400 Footsie level, responding to the good rise on the Dow Jones Industrial Average overnight and shrugging aside the disappointing performance of the Hong Kong market. Some said the latter had been affected by selling of Hong Kong stocks from one of [illegible] Anglo-Hong Kong funds.

The trigger for [illegible] market's strong performance came, however, with the day's economic figures. Market strategists said the unemployment [illegible] provided the greatest shock. Although expected by most analysts to show a fall of upwards of 40,000, they [illegible] by more than 15,000. [illegible] this figure, combined with slightly worrying retail sales numbers, produced an immediate uptick across the equity market.

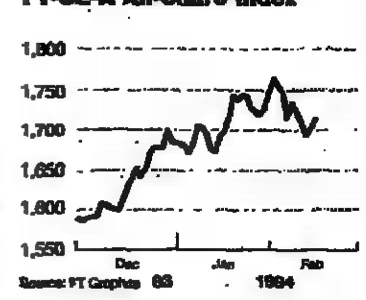
The FT-SE [illegible] rapid [illegible]ress thereafter, and was helped by the latest rise in the Dow Industrial Average. It reached the day's peak of 3,423.2, up 30 points, before easing back on profit-taking.

Senior traders in the market said the day's economic news provided ample justification for last week's ¼ percentage point [illegible] reduction. "It puts paid [illegible] week's story that the cut was politically, rather than economically, inspired; it [illegible] becoming [illegible] Bank [illegible] England, via Mr Eddie George, and not the chancellor of the exchequer, who was doing the driving," commented one dealer. He added that the market was much happier having appreciated [illegible] the reduction [illegible] purely economic grounds.

He [illegible] the market [illegible] increasingly looking for another quarter of a point off UK rates in the medium term and had now fully asbsorbed the story that US rates are likely to go higher this year.

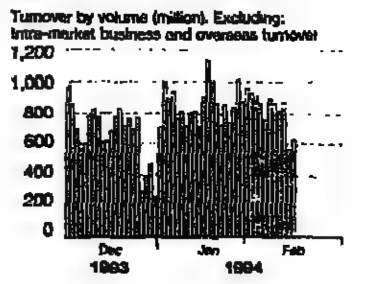
Traders said the market was still affected by stock shortages in crucial areas. "It is the same old story, you cannot buy stocks you are short of and you cannot sell the longs at the right price," said one.

FT-SE-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ **Key indicators**

Indices and ratios

FT-SE 100	3417.7	+24.5
FT-SE Mid 250	4050.6	+22.1
FT-SE-A 350	1728.6	+11.8
FT-SE-A All-Share	1717.78	+11.27
FT-SE-A All-Share yield	3.29	(3.31)
FT Ordinary index	2633.0	+26.4
FT-SE-A Non Fins p/e	22.85	(22.61)
FT-SE 100 Fut Mar	3414.0	+24.0
10 yr Gilt yield	6.55	(6.58)
Long gilt/equity yld ratio:	2.13	(2.13)

Best performing sectors

1. Retailers, Food ... +1.6
2. Building Matls & Merch ... +1.4
3. Household Goods ... +1.3
4. Pharmaceuticals ... +1.2
5. Gas Distribution ... +1.2

Worst performing sectors

1. Oil Exploration & Prod ... -0.5
2. Tobacco ... -0.3
3. Other Services & Bans ... -0.2
4. Banks ... -0.1
5. Property ... -0.1

BAe falls as Airbus loses deal

[illegible] that a [illegible] Saudi Arabian [illegible] was to go to the US rather than the Airbus consortium hit British [illegible], which holds 20 per cent of the European aircraft group.

The shares fell sharply early in the day, and anticipation of the US success kept the stock in the doldrums before a mid-afternoon announcement from [illegible] Clinton confirmed the order. Dealers said one US investment bank was trying to sell a block of shares but finding no willing takers and that was causing an additional drag on the share price.

However, late news that BAe's space division had been chosen as prime contractor for a £300m project for two new defence satellites helped the stock recover some of the earlier drop. The shares closed 9 off at 531p after being 15 down at one stage.

Ironically, BAe is believed to be in talks about the sale of its space division with Matra Mar[illegible] Space, one of the main subcontractors on the new [illegible] satellites, thought to be the most likely purchaser. A price of between £40m and £50m has been suggested.

BP slips

Debate over whether or not the US is selling down its holding of British Petroleum continued to overhang the UK traded shares. BP failed to benefit from the general gains within the market and closed marginally lower at 366p.

The company said a shift of 3.6m shares out of the [illegible] over the course of last week was minimal considering [illegible] coincided with the company's [illegible].

However, at the morning meeting, stockbroker Nomura said the American Depositary Receipt holding in BP had dropped by 1.4 percentage points to 25.9 per cent over the past four months and technical position-taking by marketmakers meant the UK weighting could be substantially higher than the 74 per cent implied by the amount held in the form of ADRs. The conclusion is that UK institutions [illegible] a less pressing need to pick up BP stock than some might believe.

High street banks received support from James Capel, with National Westminster the main beneficiary. The agency broker upgraded to buy from a hold and raised its 1994 profits [illegible] by [illegible] to £1,455bn. [illegible] significantly [illegible] its [illegible] by [illegible] [illegible] to [illegible] [illegible] south [illegible] England will also be beneficial as economic [illegible] pace. [illegible] before closing a net 4 up at 559p with turnover heavy at 7.5m.

[illegible] to a buy from a hold and Barclays [illegible] from a [illegible] Abbey rose 9 to 522p, while Barclays were flat [illegible] 583p.

A Capel downgrade on HSBC was given further impetus by a weak Hong Kong market. The [illegible] downgraded [illegible] profit forecasts and now predicts a 1994 profit of £2,687m against £2,930m previously, and a 1995 profit [illegible] £3,085m against [illegible] previously, bringing it back to the middle of the range of analysts' estimates. HSBC fell 17 to 992p in the ordinaries, while other Hong Kong related stocks Standard Chartered and [illegible] and [illegible] fell [illegible] 1285p and 9 to 483p.

Merchant bank Kleinwort Benson fell 16 to 652p ahead of full-year figures today. [illegible] are expected to have at least doubled but the shares have run up sharply.

Composite [illegible] Accident recovered 21 to 681p after recent underperformance. SGST reiterated its buy stance on the stock.

Insurance broker Willis Corroon was held back by US selling and dipped 6 to 209p.

Tobacco and insurance conglomerate [illegible] Industries slipped a penny to 497p after an insurance company [illegible]aged by Farmers, its US subsidiary, said it would have to pay [illegible] about £400m in claims resulting from January's Californian earthquake.

The release of the latest [illegible] of [illegible] sales figures provided inspiration for a variety [illegible] moves among [illegible]. The dip in clothing and [illegible] purchases [illegible] behind a retreat in Sears, off 1½ to 121p, a [illegible] showing by Next, up [illegible] at 226p, Stylo, stuck [illegible] and [illegible] Reed, unchanged [illegible] 194p.

But [illegible] sales, up [illegible] in January, [illegible] stocks including [illegible] and Spencer [illegible] at 432½p. [illegible] gained 7 [illegible] 609p, encouraged by the [illegible] underpinned by [illegible] share buy-back story.

Increased prescription [illegible] lifted [illegible] Lloyds [illegible] 7 [illegible] and 16 [illegible] respectively.

However, Kingfisher remained a weak market, the [illegible]. They have now declined 18 per cent in six weeks, as a bearish trading statement [illegible] pounded by [illegible] Darty, the French [illegible] retailer. The [illegible] further [illegible] by resignation of Woolworth's managing director [illegible] the weekend.

Independent oil and gas company Enterprise Oil eased 4 to 435p after NatWest Securities reiterated a warning that continuing low crude oil prices would make it difficult for the group to cover its dividend.

Television [illegible] Yorkshire Tyne Tees, which has been heated up by bid speculation, came off the boil when some investors took profits and the shares fell 28 to 336p.

Specialist engineering group James Wilkes, the subject [illegible] speculation in [illegible] sions, [illegible] 6 to 176p, after [illegible] talks [illegible] Suter, 2 [illegible] 219p, [illegible] any other company. The conglomerate last week [illegible] its [illegible] in [illegible] by 8.7 per [illegible] to [illegible] per cent. [illegible] put on [illegible] 130p, with SG Warburg [illegible] have [illegible]mended [illegible] stock.

British Airways brushed aside Tuesday's downgrades [illegible] followed [illegible] release of third quarter results. The [illegible] 6 to 479p. NatWest Securities reiterated its buy recommendation saying, "Continued [illegible] control [illegible] with rising load [illegible] will result in rapid profits growth in future years."

Fears about the future of transport leasing group Tiphook, [illegible] shares lose another 4 to 54p.

Building and construction stocks were firm on the hope of [illegible] and reports of strong mortgage demand in January. [illegible] talk added flavour [illegible] positive sentiment, with Wimpey, [illegible] 5 at 235p, mooted as a possible target.

Building materials were strong with Strauss Turnbull and UBS said to be behind the rise of Redland, ahead 8 at 600p. Rugby [illegible] 7 at [illegible] and Tarmac 8 at 194p, with Cazenove said to be pushing the latter.

MARKET REPORTERS:
Christopher Price,
Peter John,
Joel Kibazo.

■ Other statistics, Page [illegible]

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS (61).

BANKS (1) First Nat. Fin. 7pc Pf., BREWERIES (1) Fuller STA, BUILDING & CNSTRN (4) Galliford, Howard, Tay Homes, Tilbury Douglas, BLDG MATLS & MCHTS (3) Alumasc, Celmbread Robey A, Gibbs Dandy A, CHEMICALS (1) Wolstenholme Rink, DISTRIBUTORS (3) Adam & Harvey, Headlam, PCT, DIVERSIFIED INDLS (2) Rapner, Do A, ELECTRNC & ELECT EQUP (4) Abacus, BICC Cap. 10¾pc Cv. '20, Control Techniques, Millgate, ENGINEERING (11) Alda, Baynes (C) 5.8p Pf., Clyde Blowers, Cook (W), Crabtree, Fit, Firth (GM), Prospect Inds., VSEL, Vosper Thornycroft, Wilkes (J), ENG. VEHICLES (1) Avon Rubber, EXTRACTIVE INDS (2) Perseverance Corp., Rockwood, HEALTH CARE (2) Community Hsptls., Ferraris, HOUSEHOLD GOODS (1) Creighton Naturally, INVESTMENT TRUSTS (3) Baring Secs. Emrg. Mkts., Drayton Korea, St. Andrew, LEISURE & HOTELS (2) Crockfords, Manchester Utd., MEDIA (10) Adscene, Border TV, Bristol Evening Post, Daily Mail A, GWR, Intl. Business Comms., Johnston Press, Reuters, Telegraph, Ulster TV, OIL EXPLORATION & PROD (1) Monument Oil, OIL, INTEGRATED (1) Santos, OTHER FINANCIAL (4) EFT, Cassyle Mumo, Union Discount, OTHER SERVS & BUSNS (2) Gt. Southern, UDO, PRTNG, PAPER & PACKG (5) Bemrose, Britton, Bund, Enso-Gutzeit, Hunters Armley, Kymmene FM. Rapola, [illegible] PROPERTY (4) Bourne End Prop, Cap. & Regl., [illegible] High-Point, Jermyn Inv., Town Centre, RETAILERS, FOOD (1) Watson & Philip, RETAILERS, GENERAL (3) Carpetright, Essex Furn., [illegible] Pf., TEXTILES & APPAREL (2) Lamont, Leslie Wise, TRANSPORT (1) Tibbett & Britten, WATER (1) Bristol Water.

NEW LOWS (12).

GILTS (4) Exch. 12 1/2pc '94, Exch. 13 1/2pc '94, Treasury 10pc '94, Treasury 15 1/4pc '96, BANKS (1) Standard Chrtd. 7 3/8pc Pf., ENGINEERING (1) Ferrum, MEDIA (1) Intereuropa Tech., OIL EXPLORATION & PROD (1) Coplex Res., PRTNG, PAPER & PACKG (1) Hunterprint, SUPPORT SERVS (1) Penna, TEXTILES & APPAREL (1) Horace Small Apparel, AMERICANS (1) NYNEX.

EQUITY FUTURES AND OPTIONS TRADING

Renewed hopes of a [illegible] in UK interest rates following the release of a mixed set of economic statistics kept stock index futures buoyant, writes Joel Kibazo.

Having opened strongly at 3,396, the March contract on the FT-SE 100 Index drifted for the first hour of trading as dealers awaited the 9.30am release of economic data on retail price inflation, unemployment and retail sales volume.

When they came, the statistics brought renewed speculation of a cut in interest rates which sent dealers bidding for stock. A slight squeeze occurred over the lunchtime period, as several of the big houses joined independent traders as buyers of the contract.

A firm gilts sector, along with a positive start to trading on Wall Street, gave a further boost to the contract, helping it to maintain a good premium to cash for most of the day.

March finished at 3,414, up 24 from its previous close but around 3 points below its fair value premium to cash of about minus 5. Volume at the official close was 16,379 lots.

In traded options, there was strong business in the FT-SE 100 option, ahead of tomorrow's expiry. A total of 42,417 contracts were dealt, of which 19,442 were in the FT-SE 100 option and 6,453 in the Euro FT-SE 100 option. Abbey National topped the stock options with 2,573 lots traded.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]	3396.0	3414.0	+24.0	3429.0	3385.0	18209	62893
Jun	[illegible]	[illegible]	[illegible]	3426.0	3408.0	34	12109
Sep		[illegible]	[illegible]			0	390

Contracts traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4045.0	4064.0	+19.0	4070.0	4045.0	128	2,863
Jun		4075.0					

All open interest [illegible] are for previous day.

■ FT-SE [illegible] OPTION (LIFFE) (*3418) £10 per full index point

	3250 C	3250 P	3300 C	3300 P	3350 C	3350 P	3400 C	3400 P	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P
Feb	170	½	120	1	70	2	27½	9½	8½	37	½	84½	½	134½	½	184½
Mar	181½	18½	141	27½	105½	42	76	62	51	87½	31½	118½	19	158	11	198½
[illegible]	198½	38	162½	49½	128½	65	100	86½	76	111½	55	[illegible]	39	175	25½	213
May	222	53	198	65	153½	83	124	103½	97½	127	77½	[illegible]	59	[illegible]	44½	224
Jun†			200½	75			148½	114			93½	167½			[illegible]	[illegible]

Calls 9,380 Puts 9,437

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P
Feb	194½	½	[illegible]	½	93½	1	39½	4½	13½	[illegible]	2	58	[illegible]	[illegible]	½	[illegible]
Mar	203	14½	160½	21½	122½	33	89½	50	62½	73	41½	101½	26	136	15½	175½
[illegible]	217½	29½			[illegible]	54½			95	96½			48	154½		
Jun	231½	51½			[illegible]	[illegible]			[illegible]	124½			84½	179½		
Sept	292	75½			[illegible]	[illegible]			169½	147			123	197½		

Calls 4,614 Puts 1,8[illegible] [illegible] Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry [illegible].

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4100		4150		4200		4250		4300	
Mar	145½	32½	108½	48	77½	67½	57	91½	37	122	24	158½	15	200	9	243½
Apr	[illegible]	54	125	72	101½	90½	84½	117	65	144	[illegible]	[illegible]	35	215½	25	[illegible]

[illegible] prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks yesterday

[illegible]

FT - SE Actuaries Share Indices

The UK Series

[illegible]

■ FT-SE Actuaries All-Share

[illegible]

■ Hourly movements

[illegible]

Time of FT-SE 100 High 3.35pm Low 8.40am

■ FT-SE Actuaries 350 Industry baskets

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]

* Underlying security price. Premiums shown are based on closing offer prices. February 16. Total contracts: 41,655 Calls: 26,081 Puts: 14,694

FT GOLD MINES INDEX

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	45	17	14
Other Fixed Interest	9	3	3
Mineral Extraction	57	52	98
General Manufactures	209	[illegible]	[illegible]
Consumer Goods	82	17	114
Services	132	67	322
Utilities	28	6	11
Financials	100	61	229
Investment Trusts	218	21	223
Others	54	32	33
Totals	915	353	1444

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	Feb. 7	Last Declarations	May 12
Last Dealings	Feb. 18	For settlement	May 23

Calls: Aegis, Aminex, Anglo Pacific, Avesco, Burton, Development [illegible], Firth (G.M.), Haemocell, Kalis Minerals, Wickes Puts: Bimec, NHL, Tiphook. Puts & Calls: Bula, Emess, Hanson Wts., NHL, Ovoca Res., Utility Cable.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1993/94 High	1993/94 Low	Stock	[illegible] price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]	F.P.	280.6	176	163	Alpha Airports	173		RN4.03	2.2	[illegible]	[illegible]
-	F.P.	88.0	75¼	66¾	Baring Emrg Euro	71	+¼	-	-	-	-
-	F.P.	9.41	49½	33¼	Do Warrants	38	-¼	-	-	-	-
[illegible]	F.P.	102.7	[illegible]	161	[illegible]	161		-	-	-	-
235	F.P.	[illegible]	[illegible]	250	Coda	262		WN2.0	[illegible]	[illegible]	[illegible]
§90	F.P.	[illegible]	173	108	Comp Fin Sol	148	-2	N-	-	-	[illegible]
-	P.P.	10.4	[illegible]	55	Energy Capital	58		-	-	-	-
-	-	1.01	[illegible]	4	Do Warrants	28		-	-	-	-
50	P.P.	[illegible]	[illegible]	42	Kleinwort Euro Pvt.	44	+1	-	-	-	-
-	F.P.	41.0	49	39	Do Warrants	41	+1	-	-	-	-
-	F.P.	5.63	93	83	Pantheon Wts	83		-	-	-	-
110	F.P.	[illegible]	[illegible]	122	[illegible] Intl	125	+1	RN3.0	1.5	[illegible]	24.5
[illegible]	F.P.	[illegible]	[illegible]	122	Slimma	142		[illegible]	[illegible]	[illegible]	[illegible]
100	F.P.	42.3	98	91½	Taiwan Inv	94		-	-	-	-
-	F.P.	4.05	52	43	Do Warrants	45		-	-	-	-
-	F.P.	0.54	15	9	Thornton P.E. Wts.	13½		-	-	-	-
-	F.P.	3.08	52¼	51	Do. Zero Div. Pf.	51½	+¼	-	-	-	-
200	F.P.	[illegible]	275	19½	Trilast	215		[illegible]	[illegible]	[illegible]	17.7

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the [illegible] to the London Share Service.

FIXED INTEREST STOCKS

Issue price £	Amount paid	Latest Renun. date	1993/94 High	1993/94 Low	Stock	Closing price	+or-
-	F.P.	-	[illegible]	90	Budgens 5pc Cv 2003	94	
-	F.P.	-	130p	123p	Carlton Comm. 5.5p Cv. Pf.	124p	-1
-	F.P.	-	131	107	Witan 6¼pc Bds	127	

RIGHTS OFFERS

[illegible]

FINANCIAL TIMES EQUITY INDICES

	Feb 16	Feb 15	Feb 14	Feb 11	Feb 10	Yr ago	High	Low
Ordinary Share	2633.0	2606.6	[illegible]	2585.5	[illegible]	[illegible]	[illegible]	2124.7

[illegible]

BANKS

	Notes	Price	+ or –	1993/94 High	Low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£22½	+⅜	£25¼	£18¼	8,634	4.4	12.7
ANZ A$		271¼	–1	278¾	180	3,549	3.4	21.3
Abbey National	†□	522	+9	524	345	6,843	2.8	20.1
Allied Irish I£		281	+1	314	179	1,881	3.7	14.3
Anglo Irish I£		68	–	70	28	80.7	8.5	12.1
Asahi Y		709¾	–2¾	844	416	16,474	0.8	–
Banco Bil Viz Pta		£18⅞	+⅜	£17⅞	£13½	3,670	5.2	7.2
Banco Sant Pta		£34⅝	–	£35	£24⅝	3,947	3.9	13.2
Bank Leumi (UK)		385	–	385	325	32.4	5.4	–
Bk Ireland I£		285	+2	319	177	1,343	4.4	21.0
Bank Scotland		231	+6	247	116½	2,888	2.5	31.4
9¼pc Pf		139¼	+¼	141½	117¾	138.2	8.4	–
9¾pc Pf		144½	+½	148½	123½	144.5	8.4	–
Barclays	†N□	583	–	592	382	9,482	2.7	–
Dai Ichi Kan Y		£12⅜	+⅛	£15⅜	£8⅞	38,276	0.4	69.6
Deutsche DM		£325⅝	+4⅛	£348⅝	£250½	15,524	1.9	–
Espirito Santo		£24⅞	–⅜	£35⅜	£18½	282.7	3.3	5.9
First Nat Fin	N□	89	–	95	45	148.4	2.1	–
6.3pc Cv Pf		89	–1	91	55	8.98	8.8	–
7pc Cv Pf		168½	+½	173	106	80.0	5.2	–
Fuji Bank Y		1423	+20¾	1651	876	41,204	0.4	–
HSBC HK	†□	1011	–19	1133	474	17,257	2.5	24.2
HSBC (75p Shs)	†□	992	–17	1113	490	8,144	2.5	23.7
Lloyds		611	+10	660	422	7,845	4.5	12.9
Mitsubishi Y		£18⅝	+⅜	£19¼	£11⅝	53,944	0.3	–
Mits Tst & Bk Y		894	–9½	1012½	462½	11,641	0.6	14.4
Mitsui Tst & Bk Y		703¼	+9¼	892	374	8,427	0.8	24.0
Nat Aust A$		592¾	+7¼	620¼	322	7,792	4.0	14.4
NatWest	†□	569	[illegible]	584	398	9,260	4.0	34.0
Ottomane FFr		£30	–1	£33	£23¼	150.0	5.0	8.8
Ryl Bk Scotland		456	+4	528	207	3,969	2.8	22.5
Sakura Y		291	–	£11	£5¾	31,594	0.6	58.5
Sanwa Y		£14¼	–⅛	£16	£7¼	41,372	0.4	–
Standard Chartd	†□	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or –	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]	–	[illegible]	[illegible]	1,116	3.7	16.6
Barlow		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.0	7.4
Gold Fields SA R		[illegible]	–	[illegible]	[illegible]	1,280	3.0	22.0
NK Props		[illegible]	–	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SASOL	♥	317	–18	[illegible]	216	1,765	4.9	–
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.2	[illegible]
Tiger Oats		773	–	[illegible]	515	1,071	2.3	[illegible]
Tongaat-Hulett	†	482	–4	[illegible]	312	308.2	3.0	[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible] for the London S[illegible] delivered by [illegible] Financial, a member of the Financi[illegible].

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend state[illegible] the notes column daily as a guide to yields and P/E ratios. Divid[illegible] Dividend covers are published on Monday.

Market capitalisation [illegible] calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) [illegible] for Inv[illegible] Trusts, in pence per share, along with the percentage discount [illegible] premium (Pm –) to the current closing share [illegible] NAV [illegible] prior charges at par value, convertibles [illegible] and war[illegible] if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ф Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ¤ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
i Yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings

v Not subject to ACT.
z Dividend yield includes a special payment.
F Yield [illegible] prospe[illegible] official [illegible] 1994-95.
G Assumed yield after pending scrip and/or [illegible] 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.

N Figures based on [illegible] 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on [illegible]
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xl ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Unit Trust Managers Limited (1000)F						
AXA Equity & Law Unit Tst Mngrs (1200)H						
Capel-Cure Myers UT Mngt Ltd - Contd.						
Capital House Unit Tst Mgrs (1200)F						
Fidelity Investment Servs Ltd - Contd.						
Laurentian Unit Tst Mngmt Ltd						
Lazard Unit Tst Mngrs Ltd						
Mercury Fund Managers Ltd - Contd.						
Perpetual Unit Tst Mngmt - Contd.						
Pilgrim Unit Trust Mngmt Ltd (0830)F						
Schroder Unit Trusts Ltd (1400)F						
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The maximum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ([illegible]) - 0001 to 1100 hours; ([illegible]) - 1101 to 1400 hours; ([illegible]) - 1401 to 1700 hours; ([illegible]) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

TSB Unit Trusts (1200)F

Charlton Pl, Andover, Hants. SP10 1RE

INSURANCES

AXA Equity & Law Life Assce

Amersham Road, High Wycombe

Britannia Life Assurance

Britannia Life Ltd

Canada Life Group

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance				
Royal Liver Building, Liverpool, L3 1HT. 051-236 1451				
UK Equity	82.7	87.0	-0.6	-
Global Equity	62.1	65.4	-0.4	-
High Yield	79.5	83.7	-1.3	-
Intl Equity	88.5	93.2	-1.1	-
Fixed Interest	80.9	85.2	-0.3	-
Money	76.2	80.2	+0.1	-
Managed	84.1	88.5	-0.7	-
Pensions				
UK Equity	90.3	95.0	-0.6	-
Global Equity	[illegible]	[illegible]	-0.7	-
High Yield	92.8	97.73	-1.9	-
Intl Equity	[illegible]	104.5	-1.6	-
Fixed Interest	97.50	102.7	-0.4	-
Money	94.3	[illegible]	+0.1	-
Managed	94.9	[illegible]	-1.0	-
Tax Exempt				
Exempt Mgd	71.0	74.7	-0.3	-

	Bid Price	Offer Price	+ or -	Yield Gross
Scandia Life Assurance Co Ltd - Contd.				
Fleming Managed by Tst	145.1	152.7	—	-
F & C Investment Trust	[illegible]	[illegible]	—	-
Framlington Managed	[illegible]	[illegible]	-0.7	-
Gartmore Managed	[illegible]	[illegible]	-0.2	-
Henderson Managed	[illegible]	[illegible]	-0.6	-
Hill Samuel Managed	[illegible]	[illegible]	-0.2	-
Invesco Managed	[illegible]	[illegible]	-0.2	-
James Capel Core Mngd	[illegible]	[illegible]	-0.3	-
Kleinwort Benson Mngd	[illegible]	[illegible]	-0.1	-
Martin Currie Mngd	[illegible]	172.2	+0.3	-
Morgan Grenfell Mngd	[illegible]	174.5	+0.1	-
Murray Johnstone Managed	[illegible]	[illegible]	-0.4	-
Perpetual Managed	[illegible]	242.7	-0.4	-
Schroder Managed	[illegible]	151.1	—	-
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	734.4	773.1	+3.3	-
Equity	1050.6	1105.9	+8.8	-
Fixed Interest	417.4	439.4	+0.9	-

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

Allied Dunbar International Assurance Ltd

Century Life International Ltd

Equitable Life International

Hansard International Ltd

Isle of Man Assurance Ltd

Lebrow International Group

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Scandia Life Assurance Ltd

Scottish Provident Intl Life Ass Ltd

Sun Life International (IOM) Ltd

MANAGEMENT SERVICES

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (REGULATED)(**)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

Rothschild Asset Management - Contd.

GT Asset Management - Contd.

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

Clift Fund Managers - Contd.

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the teleph[illegible] Call the FT Cityline [illegible] Desk on (071) 873 4378 for more details.

EBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

Comgest SA

Commercial Union Luxembourg SA (u)

Midland Internatnl Circuit Fund SICAV(s)

Nomura Global Fund (u)

PRICOA Worldwide Inv Portfolio S[illegible]

Regent Global Fund (u) (z)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

£ weathers mixed data

Sterling yesterday maintained a firm [redacted] despite [redacted] release [redacted] mixed economic [redacted] a strong D-Mark, [redacted] *Philip* [redacted]

[redacted] falling nearly [redacted] pfennig to DM2.54 on the [redacted] of subdued retail [redacted] and prices data, and unemployment figures which showed a surprise rise, the pound [redacted] recovered to [redacted] in London [redacted] DM2.5471 - slightly higher than Monday's [redacted] of [redacted]

Market reaction [redacted] that, [redacted] the figures were soft enough [redacted] justify [redacted] UK [redacted] cut, they [redacted] not indi[redacted] that the economic recovery [redacted] in [redacted] jeopardy.

The D-Mark [redacted] stronger against [redacted] currencies [redacted] today's [redacted] meeting, while the dollar-yen rate [redacted] following [redacted]siderable volatility earlier in [redacted] week.

■ UK economic [redacted] showed subdued price pres[redacted] in January, [redacted] line retail price inflation for January [redacted]

Analysts [redacted] key figure was probably [redacted] per cent increase in retail sales. Although towards [redacted] lower [redacted] expectations, it [redacted] firm [redacted] spending - whose strength [redacted] pivotal [redacted] economic upturn - [redacted] Unemployment [redacted] by a surprise [redacted] the first [redacted] in months, but this [redacted] as a [redacted] blip.

[redacted] Treasury [redacted] aim [redacted] economic recovery with [redacted] Against a year [redacted] output [redacted] 3.5 [redacted] cent, [redacted] nearly 4.0 [redacted] cent and unemployment [redacted] down [redacted] Underlying [redacted] four months [redacted] 25 [redacted]

Observers [redacted] figures [redacted] for [redacted] further quarter [redacted] Sterling appeared fairly strong [redacted]terday, holding [redacted] own against [redacted] stronger [redacted]

■ Market opinion [redacted] usual, [redacted] over [redacted] can [redacted] expected from today's meeting of the Bundesbank council. A Reuter survey of 20 economists found that 10 do not expect a rate reduction, eight forecast a cut and two say it is too close to call. [redacted] European [redacted] reflecting [redacted] view that [redacted] will not be cut today.

Yesterday's [redacted] tender - where the [redacted] than expected [redacted] to [redacted] market - [redacted] making [redacted] unlikely. The [redacted] rate, which [redacted] per cent, [redacted] at [redacted] Bundesbank's [redacted] meeting.

[redacted] monthly [redacted]nomic report, [redacted] yesterday, [redacted] favour any particular analysis of [redacted] Council might [redacted] noted [redacted] for [redacted] cut. It reported [redacted] combatting [redacted] in German prices [redacted] only [redacted] per [redacted] - and [redacted] was [redacted] yet [redacted]

Mr Gerry Holtham, chief [redacted] Lehman Brothers, [redacted] he [redacted] little doubt [redacted] central bank [redacted] cut rates. Although the unresolved IG Metall wage dispute is seen as reason for not cutting rates, Mr Holtham asked:"If they don't cut now, when will they cut?" He noted that if they [redacted] delay, they may well at their [redacted] meeting be faced with a less favourable environment in the form of a firmer dollar and a set of unfavourable M3 money supply data for January. There is also a widely held view in the market that the [redacted] penal[redacted] if [redacted] policies [redacted] hindering economic [redacted]

■ [redacted] recovered ground against the [redacted] amid determined intervention from [redacted] Bank of Japan and an apparent softening of stance from the US administration. Mr Mickey Kantor, [redacted] US [redacted]tative, described [redacted] strength [redacted] "accidental" by-product [redacted] dispute. [redacted] Tuesday.

Although there [redacted] spread agreement [redacted] recent [redacted] strength [redacted]sustainable, [redacted] prepared [redacted] the yen will not rise to Y100 against [redacted] dollar. [redacted] Tony Norfield, UK economist [redacted] however, that [redacted] DM/yen [redacted] may [redacted] serving [redacted] of a reversal of [redacted] strength.

[redacted] strength [redacted] D-Mark [redacted] it [redacted] much [redacted] other currencies against [redacted] yen. Although [redacted] recently [redacted] its all time low of Y59 to the D-Mark, [redacted] trade today at the top end of [redacted] trading [redacted] He [redacted] there [redacted] "great reluctance" [redacted] its all time low.

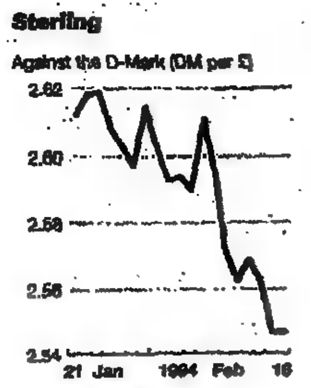
[redacted] situation unravels [redacted] value falling [redacted] If [redacted] happen [redacted] unwinding [redacted] weakness." Bolstering the view of a possible turnaround is increasing evidence that fund managers are buying dollars against yen, believing the US currency has fallen too far.

■ Liquidity [redacted] tight in [redacted] UK [redacted] with [redacted] bills forthcoming early in the day. [redacted] the assistance provided by the Bank of England [redacted] was [redacted] unspecified overnight [redacted] put £655m into the [redacted] way.

[redacted] had provided the [redacted] £258m of assistance [redacted] its [redacted] rates. [redacted] compared [redacted] liquidity forecast of £950m, revised [redacted] £850m.

Sterling

Against the D-Mark (DM per £)



Source: FT Graphite

■ [redacted] in New York

[redacted] 16	—Latest—	[redacted]
£ spot	1.4755	[redacted]
1 mth	1.4736	1.4710
[redacted]	1.4700	[redacted]
1 yr	1.4607	[redacted]

POUND SPOT FORWARD AGAINST THE POUND

Feb 16		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	[redacted]	17.9363	+0.0103	986 - 130	17.9574	17.8696	[redacted]					-1.0	114.1
Belgium	[redacted]	52.4681	+0.0692	308 - 075	52.5158	52.2271	[redacted]					-1.0	114.1

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 16		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb.16		[redacted]	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	[redacted]	£	C$	[redacted]	Y	[redacted]
Belgium	(BFr)	100	[redacted]	16.54	[redacted]	1.980	4726	5.447	[redacted]	[redacted]	[redacted]	22.64	[redacted]	[redacted]	3.610	[redacted]	[redacted]	2.508
Denmark	(DKr)	[redacted]	10	8.697	[redacted]	1.046	2487	2.865	11.06	[redacted]	[redacted]	11.91	[redacted]	[redacted]	[redacted]	[redacted]	153.8	[redacted]
France	(FFr)	[redacted]	11.50	10	2.935	1.203	2859	3.294	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	176.8	[redacted]
Germany	(DM)	20.60	3.917	3.407	1	0.410	974.1	1.122	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	60.15	0.517
Ireland	(I£)	50.26	9.557	8.311	2.440	1	2376	2.738	[redacted]	[redacted]	199.8	[redacted]	[redacted]	[redacted]	[redacted]	1.417	[redacted]	1.261
Italy	(L)	2.115	0.402	0.350	0.103	0.042	100.	0.115	[redacted]	[redacted]	[redacted]	0.479	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Netherlands	(Fl)	18.36	3.491	3.036	[redacted]	0.365	868.1	1	[redacted]	[redacted]	72.99	4.157	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Norway	(NKr)	[redacted]	9.054	7.874	2.311	0.947	2251	2.593	10	[redacted]	[redacted]	10.78	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1.194
Portugal	(Es)	20.36	3.872	3.367	[redacted]	0.405	962.7	1.109	[redacted]	[redacted]	80.95	[redacted]	[redacted]	[redacted]	[redacted]	0.574	[redacted]	[redacted]
Spain	(Pta)	[redacted]	4.783	4.160	[redacted]	0.500	1189	1.370	[redacted]	[redacted]	100.	5.695	[redacted]	[redacted]	0.958	[redacted]	[redacted]	[redacted]
Sweden	(SKr)	44.17	8.396	7.304	[redacted]	0.879	2086	2.405	[redacted]	[redacted]	175.8	10	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1.108
Switzerland	(SFr)	[redacted]	4.647	4.041	[redacted]	0.496	1156	1.331	[redacted]	[redacted]	[redacted]	5.533	1	[redacted]	[redacted]	[redacted]	[redacted]	0.613
UK	(£)	52.47	9.977	8.677	[redacted]	1.044	2481	2.858	11.02	[redacted]	[redacted]	[redacted]	[redacted]	1	[redacted]	[redacted]	[redacted]	1.316
Canada	(C$)	26.25	4.991	4.341	1.274	0.522	1241	1.430	5.513	128.9	[redacted]	[redacted]	[redacted]	0.500	1	0.740	[redacted]	[redacted]
US	($)	35.46	6.746	5.867	1.722	0.706	1677	1.932	[redacted]	174.2	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1	[redacted]	[redacted]
Japan	(Y)	342.6	65.12	56.64	16.63	6.816	16195	18.66	[redacted]	1682	1362	77.56	[redacted]	[redacted]	13.05	9.654	[redacted]	8.690
Ecu		39.67	7.581	6.593	1.936	0.793	1885	2.172	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	1.124	[redacted]	1

Yen per 1,000; Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM [redacted] per DM

	Open	[redacted]	Change	High	Low	[redacted]	Open [redacted]
Mar	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	124,881
Jun	[redacted]	0.5765	[redacted]	[redacted]	[redacted]	978	10,317
Sep	-	0.5740	-	-	-	23	[redacted]

■ [redacted] YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	[redacted]	[redacted]	High	Low	Est. vol	Open Int.
Mar	0.9680	0.9649	[redacted]	[redacted]	0.9635	57,484	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	0.9682	1,315	8,426
Sep	-	0.9761	-	-	0.9761	[redacted]	[redacted]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Mar	0.6864	0.6869	[redacted]	[redacted]	[redacted]	[redacted]	40,115
Jun	0.6875	[redacted]	[redacted]	0.6884	[redacted]	955	1,510
Sep	-	0.6880	-	0.6880	-	-	-

■ [redacted] FUTURES (IMM) £62,500 per £

Mar	1.4714	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Jun	[redacted]	[redacted]	[redacted]	[redacted]	1.4680	470	2,401
Sep	-	[redacted]	-	1.4700	-	6	434

EMS EUROPEAN CURRENCY UNIT RATES

WORLD INTEREST RATES

MONEY RATES

EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

■ THREE MONTH EURODOLLAR (LIFFE) $1m points of 100%

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

UK INTEREST RATES

LONDON MONEY RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

CAF Money Management Co Ltd
48 Pembury Road, Tonbridge TN9 2JD 0732 770114

The COIF Charities Deposit [redacted]
2 Fore Street, London [redacted] 071-588 1815

[redacted] Bd. of Fin. of Church of England‡
2 Fore Street, London EC2[redacted] 071-588 1815

[redacted] Money Management Ltd
[redacted] Monument St, London EC3R 8QQ 071-220 1425

Money Market Bank Accounts

Allied Trust Bank Ltd

American Express Bank Ltd

Coutts & Co 071-753 1000
440 Strand, London WC2R 0QS
Coutts Composite Account 071-623 1070
15 Lombard Street, London EC3V 9AU

Dao Heng Bank (London) PLC Premier Acc
10 Angel Court, London EC2R 7HP

Davenham Tst Plc—Davenham 500 Acc
8 St John St, Manchester M3 4DU 061-832 8484

Fidelity Money Market Account

Gartmore Money Management Ltd
16-18 Monument St London EC3R 8QQ 071-220 1425

Halifax Bldg Soc Asset Reserve Cheque Acc
Trinity Road, Halifax HX1 2RG 0422 335333

Julian Hodge Bank Ltd
10 Windsor Place Cardiff CF1 3BX

Humberclyde Finance Group

Leopold Joseph & Sons Limited
29 Gresham Street, London EC2V 7EA 071-588 2323

Kleinwort Benson Ltd

Kleinwort Benson Private Bank

Lloyds Bank — Investment Account
71 Lombard St, London EC3P 3BS

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Feb 16 / Sch)

BELGIUM/LUXEMBOURG (Feb 16 / Frs.)

FINLAND (Feb 16 / Mkk)

FRANCE (Feb 16 / Frs.)

GERMANY (Feb 16 / Dm.)

ITALY (Feb 16 / Lire)

NETHERLANDS (Feb 16 / Fls.)

NORWAY (Feb 16 / Kroner)

SPAIN (Feb 16 / Pts.)

SWEDEN (Feb 16 / Kronor)

SWITZERLAND (Feb 16 / Frs.)

PACIFIC

JAPAN (Feb 16 / Yen)

AUSTRALIA (Feb 16 / Aus$)

HONG KONG (Feb 16 / H.K.$)

MALAYSIA (Feb 16 / MYR)

SINGAPORE (Feb 16 / S$)

NORTH AMERICA

CANADA

TORONTO (Feb 16 / Can $)

4 pm close

MONTREAL (Feb 16 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 16 / Rand)

FT FREE ANNUAL REPORTS SERVICE

TOKYO - MOST ACTIVE STOCKS: Wednesday, February 16, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Shindengen Elec	7.2m	1,140	-30	Toshiba	4.7m	726	
Kobe Steel	7.0m	269	+10	Nachi Fujikoshi	3.9m	396	+26
Fujitsu	5.2m	331	-12	Nitsuko Corp	3.8m	1,460	+10
Nippon Steel	5.2m	875	+5	Kawasaki Steel	3.7m	341	+1
Hitachi	5.0m	875	+5	Sanken Electric	3.5m	898	+29

INDICES

US INDICES

Dow Jones

DJ Ind. Day's high / Day's low

Standard and Poor's

NYSE Comp.

Amex Mkt Val

NASDAQ Comp

■ RATIOS

Dow Jones Ind. Div. Yield				
S & P Ind. Div. yield				
S & P Ind. P/E				

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ CAC-40 STOCK INDEX FUTURES (MATIF)

Open interest figures for previous day.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
18 5/8	11 1/2	AAR	0.48	3.0	37	410	16 1/4	15 3/4	16 1/8	+1/8
28 7/8	12 3/4	A L Labs A	0.18	1.2	35	70	15 3/8	15 1/4	15 3/8	
67 1/4	54 5/8	AMP	1.68	2.6	22	1262	63 1/2	62 1/2	63 1/2	+3/8
72 3/4	55 1/2	AMR			32	3882	[illegible]	65 5/8	66	+1/4
5	1 1/8	ARX			20	243	5	4 7/8	5	+1/8
56 1/8	29 7/8	ASA	2.00	[illegible]	30	2450	46 7/8	45 1/4	46 1/4	+1/4
30 3/4	22 5/8	AbbotL	0.76	[illegible]	17	[illegible]	29 5/8	[illegible]	29 3/4	-1/8
13	8 3/4	Abitibi Pr	0.50	[illegible]	8	[illegible]	12 7/8	[illegible]	12 7/8	+1/8
15 3/8	8 1/8	Acplncoln			23	16	13	[illegible]	12 7/8	
36	25 1/2	ACE Ltd	0.40	1.4	4	595	28 5/8	[illegible]	28 1/2	-1/8
12 3/8	10 3/4	ACM Gvt In	1.09	8.9		306	12 3/8	[illegible]	12 1/4	-1/8
10 1/8	9 1/8	ACM GvOpp	0.80	8.2		117	9 7/8	[illegible]	9 3/4	
10 7/8	8 3/4	ACM Gvt Sp	0.98	9.5		289	10 1/4	[illegible]	10 1/8	
12 3/4	10 1/2	ACM Gvt Se	1.09	9.5		440	11 5/8	11 1/2	11 1/2	-1/8
12 1/4	9 5/8	ACM Man	1.08	9.9		233	11	10 7/8	10 7/8	-1/8
9 7/8	8 5/8	ACM Managd	0.72	8.0		97	9	8 7/8	9	+1/8
12 7/8	7 3/4	AcmeClv	0.44	4.5	12	11	9 7/8	9 3/4	9 3/4	
11 3/8	6 7/8	Acme Elect			36	127	8 3/8	8	8 3/8	+3/8
[illegible]	18 7/8	Acordia	[illegible]	1.7	13	21	25 3/4	[illegible]	25 3/4	+1/8
[illegible]	8 5/8	Actava	[illegible]	4.1	17	208	9	[illegible]	8 7/8	-1/8
16	10 3/8	Acuson			95	498	12 3/8	[illegible]	12 3/8	
21 3/4	17 5/8	Adams Expr	[illegible]	2.0	0	117	18	[illegible]	18	
68 3/4	45 1/2	Ad Micro	[illegible]	5.7		28	53	[illegible]	52 1/2	-1/8
32 3/4	18 3/4	AdvMic	[illegible]	13.6	8	3122	22	21 1/2	21 3/4	-1/8
8 1/8	5 1/2	Advest Grp	[illegible]	2.3	10	85	6 7/8	6 3/4	6 7/8	

Continued on next page

NYSE COMPOSITE PRICES

4 pm close February 16

Continued from previous page

1993/94 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
24¾	13⅛	ShylG	0.36	2.3	8	2373	15¾	15⅜	15⅜	-¼
22¾	10⅞	Safeway			23	2538	u23	22¾	23	+⅜
5¾	2	SafewayWt95				809	u5⅜	5¼	5¼	+⅛
55½	37½	StJoePaper	0.20	0.4	283	37	54	53¾	53⅞	-⅜
37⅞	28	StJoeL&P	1.80	6.3	14	28	29¼	28⅝	28⅝	-⅝
86	75	StPaul	3.00	3.7	8	2166	84½	81½	81¾	+½
11⅛	6⅛	Salant Crp			9	61	8⅛	7⅞	7⅞	-¼
75¼	38⅞	Sallie Mae	1.40	2.9	9	1711	48¾	47⅝	47¾	-½
14⅞	12⅝	Salomon Br x	0.55	4.1		109	13⅞	13¼	13⅜	
51⅞	34	Salomn	0.64	1.3	8	2297	50¼	49⅞	50⅛	+⅛
27⅜	22⅞	SDgGE	1.48	6.4	12	868	23½	d22⅞	23	-⅜
11⅞	8⅜	SantaFeEPa	0.18	1.8	304	981	9⅛	9	9⅛	
40¾	35¾	SantaFePac	2.80	7.2	18	68	39⅞	39	39	-½
26¼	12¾	SanFeP	0.10	0.4	12	2853	23¾	23½	23¾	-¼
31⅛	21	SaraLee	0.64	2.8	15	11245	23	22½	22½	-⅜
52¼	40⅛	Scana Corp	2.82	6.1	12	144	46⅝	46¼	46¼	-⅛
25¾	18¾	Scecrp	1.42	7.5	13	5007	18⅞	d18½	18⅞	+⅛
40½	23⅞	ScheringP			29	531	38⅞	38½	38⅝	
71	51¾	SchrPl	1.80	3.0	14	5984	60⅞	60⅛	60⅛	-¼
[illegible]	54⅝	Schimp	1.20	2.1	23	4132	57¼	56¾	57	-⅛
[illegible]	18½	Schwab(C)	0.28	1.0	13	748	28⅝	27⅞	27⅞	-½
[illegible]	5⅝	Schwitzer			132	2100	9¼	9¼	9¼	-⅛
[illegible]	17¾	SciAtl	0.12	0.4	57	1619	29⅛	28⅜	28⅝	-⅜
[illegible]	9⅛	[illegible]	[illegible]	0.6	15	141	u18¾	15⅜	18¾	+⅞
[illegible]	31	ScottP	[illegible]	1.6	11	3484	45⅛	44½	45	+⅛
28⅝	14¾	ScudderNAeF	[illegible]	1.1		319	24¾	24¼	24⅝	+⅜
12⅝	7½	ScudderNEsF	[illegible]	1.4		516	11¾	11½	11⅝	+⅛

High	Low	Stock	Div.	Yld. %	P/E
19½	14⅝	TNP Enterp	1.63	8.6	18
77⅞	52½	TRW	1.88	2.5	22
25⅞	5¼	T2 Medcl	0.10	1.4	6
30¾	17⅞	Taiwan Fd			
9	3⅛	Talleyind	0.42	[illegible]	54
14½	6½	Talley Pf	1.00	[illegible]	
65	39½	Tmbrds	1.88	3.9	[illegible]
16⅝	6½	Tandem			
50¾	24⅝	Tandy	0.60	1.4	20
13½	11⅛	Taurus Mun	0.72	6.4	
25⅞	19¾	[illegible] Energ	0.88	4.7	15
28¾	20⅛	Tktrnx	0.60	2.3	15
5	1¾	Telecm			19
27¾	[illegible]	[illegible]	0.80	3.7	18
46⅛	[illegible]	[illegible]	1.05	2.4	84
76	44⅛	Telmex	0.88	1.2	15
54¾	37¼	Tmplnl	1.00	1.9	42
30⅝	14⅝	TempltEmMk	0.17	0.6	
9⅛	7⅜	TempltGlob	0.60	7.7	
9	7½	TempltGlFd	0.60	7.9	
59¾	39⅛	Tenneco	1.60	2.8	22
30	21¾	Teppco Pts	2.20	7.7	11
30	13	Teradyne			30
11⅞	6⅛	Terex	0.08	0.7	1
8⅝	3½	Terra Inds	0.08	1.0	25
11¾	3	Tesoro			19
69½	57⅞	Texaco	3.20	4.8	14
53⅞	50½	Texaco C	3.00	5.8	
35⅝	[illegible]	Texas Ind	0.20	0.8	43

AMEX COMPOSITE PRICES

NASDAQ NATIONAL MARKET

4 pm close February 16

AMERICA

Hewlett stars [redacted] Dow loses early impetus

Wall Street

US [redacted] prices were mostly flat in lacklustre trading [redacted]terday morning [redacted] the dollar broadened a previously tentative [redacted], and bond prices remained stable, [redacted] *Patrick* [redacted].

By 1 pm, [redacted] Industrial Average was [redacted] at 3,932.21, [redacted] high for [redacted] morning of 3,949.65. The [redacted] broadly [redacted] Standard [redacted] Poor's [redacted] was slightly [redacted] at the half-[redacted] mark, [redacted] 0.18 [redacted] 472.34, while [redacted] American [redacted] Exchange composi[redacted] was down 0.34 [redacted] the [redacted] composite 0.63 higher [redacted]. Trading volume on [redacted] 180m shares by 1 pm.

Share prices rose from the opening bell. After two days of big [redacted] concern [redacted] the possible outbreak of [redacted] trade war [redacted] Japan, [redacted] currency appreciated slightly against [redacted] yen [redacted] easing [redacted] in [redacted] day.

Bonds, which had also [redacted] by [redacted] dispute, [redacted] similarly becalmed, with [redacted] 30-year [redacted] showing [redacted] gain in early [redacted] trading.

Stocks [redacted] to hold on to [redacted] early gains, however, as attention shifted [redacted] today's all-important inflation [redacted].

Analysts expect [redacted] January [redacted] price [redacted] show a gain of about 0.3 per cent. Anything below that should boost [redacted] prices, [redacted] if consumer prices [redacted] seen [redacted] have moved substantially higher [redacted] month, fears that [redacted] Federal [redacted] might put up [redacted] rates [redacted]. It was concern about [redacted] possibility [redacted] kept [redacted] the sidelines yesterday, and [redacted] the market's advance.

Among individual stocks, [redacted] was [redacted] star of [redacted] day, rising $3⅝ to $89⅝ [redacted] volume of [redacted] after the computer manufacturer announced fiscal first quarter net income of $368m, up from [redacted] earlier.

The good news from Hewlett-Packard lifted other tech[redacted]. IBM [redacted] $54⅞, Digital Equipment put on [redacted] at [redacted]. Motorola jumped [redacted] $103⅞, [redacted] Instruments firmed [redacted] to $77⅞.

Boeing rose $1⅛ to $45⅞ in volume of 1.5m shares after Mr [redacted] Aseritis, the industry analyst [redacted] broking [redacted] First [redacted], upped his rating on [redacted] "buy" from "hold", [redacted]ing Tuesday's announcement [redacted] aircraft [redacted] planned [redacted] monthly production [redacted] 767s, and yesterday's news [redacted]ing will share [redacted] $6bn [redacted] from [redacted] Arabia with McDonnell Douglas. [redacted] latter's [redacted] $1⅛ [redacted] $118⅞.

[redacted] leading drug [redacted] weakened, [redacted] Bristol-Myers Squibb easing [redacted] to $55⅝, [redacted] $57⅞.

On the Nasdaq market, QVC [redacted] following [redacted] in [redacted] bid battle, adding [redacted] $51⅛.

Canada

Toronto stocks were supported at midsession by strength in the forestry sector but overall activity remained low. [redacted] composite index [redacted] 4,417.47 by 1 pm.

Among the most actives [redacted] steady [redacted] C$29⅛ [redacted] Maclean Hunter [redacted] C$⅛ [redacted] C$16⅞.

SOUTH AFRICA

[redacted] extended [redacted] from [redacted] but [redacted] remained [redacted] about political [redacted]. The [redacted] index rose 40 [redacted] to [redacted], supported by [redacted] up a [redacted] R5 at R192. Golds added 37 [redacted] 1,674 and industrials firmed a point to [redacted].

EUROPE

Mixed feelings [redacted] German rate cut prospects

There were mixed feelings about today's Bundesbank meeting, some dealers around Europe talking about the [redacted]bility [redacted] others, particularly [redacted] French, almost giving up on the prospect [redacted] four months' wait, *writes Our Markets Staff*.

Mr Reinhard Fischer, a partner at Research Vision in London, agreed that the current consensus was against a rate cut today, observed that [redacted] had managed to wrong-foot [redacted] markets about [redacted] per [redacted] of the time, [redacted] argued in favour of the [redacted]sition, as follows:

- [redacted] German inflation was down, with a year-on year figure of 3.5 per cent in January against a 3.8 per cent average for the final quarter of 1993;
- Buba has said that the German recession is not over yet;
- There [redacted] "window [redacted] opportunity" in the currency markets, with the D-Mark strong against the dollar in the aftermath of the US/Japanese trade talks collapse; and
- There were indications that German M3 is slowing after its seemingly inexorable growth in 1993.

Admittedly, said Mr Fischer, there was no clear evidence yet of the M3 slowdown; the German repo rate, so often an indicator of key rate cuts, was firmly cemented at 6 per cent; and there was the possibility of industrial strife, particularly in Germany's metal based industries.

However, he said, the balance of argument was in favour of a cut, especially since the next Buba meeting, on March 3, fell just ahead of the first of 19 election dates for various constituencies and groups to be held in Germany this year.

FRANKFURT consolidated Tuesday's post-bourse gains on the interest rate theme and added a little more, the Dax index closing up 20.99 at 2,136.61, or 5.90 ahead of the previous afternoon's level; the post-bourse yesterday was relatively quiet.

Turnover rose from DM6.7bn to DM8.6bn. Front-line interest [redacted] echelon, led by Deutsche Bank, up DM20.50 at [redacted] and Dresdner, DM12.80 [redacted] DM422.80, although utilities seemed relatively [redacted].

In carmakers, Volkswagen was relatively weak, closing 50 pfg lower at DM445.50 after Standard & Poor's downgraded the company's senior debt.

PARIS [redacted] view [redacted] hopes for [redacted] had all but evaporated, although there remained a few who still believed that the Bank of France might move independently and shave a quarter of a percentage point off domestic rates.

The CAC-40 index improved 6.35 to 2,264.32 in below average turnover of FFr4.5bn.

Rhône-Poulenc added FFr2.20 to FFr150.40 in spite of reporting profits at the lower end of most analysts' expectations. The recently privatised chemicals and pharmaceuticals company also said that it did not expect a significant recovery in profits before 1996.

ZURICH extended its blue chip recovery, the SMI index rising 43.1, or 1.4 per cent to 3,033.4. Banks were lifted by SBC's 36 per cent rise in 1993 profits [redacted] lysts expectations [redacted] took [redacted] bearers [redacted] SFr16 [redacted].

Ciba [redacted] were relatively weak, rising only SFr2 to SFr910 [redacted] news [redacted] Pharma Vision, the investment fund, might sell its stake in the company.

AMSTERDAM moved higher for the second day in succession with Hoogovens advancing Fl 2.10 to Fl 63.40 on news that it had been exempted from fines imposed by the EU on a number of steel manufacturers for operating a cartel.

The AEX index finished up 1.71 at 431.61.

Fokker drifted down a further 80 [redacted] Fl 20.70, [redacted] low [redacted] Fl 19.70, in further [redacted] its planned job [redacted].

MILAN saw a build up of volume towards the close but general [redacted]vity throughout the session remained subdued.

The Mibtel index put on 39 to 10,771.

Montedison attracted attention and [redacted] higher at L1,179, although traders were unable to report specific news that could have warranted buying. Fiat [redacted] another of the day's risers, up L97 [redacted] L4,800 in spite of [redacted] Standard [redacted] Poor's downgrade of its commercial paper.

STOCKHOLM saw Ericsson *Bs rise SKr18 to SKr360* after gains on Wall Street, and the Affärsvärlden [redacted] index put [redacted] 23.40, or 1.5 per cent at 1,435.10. [redacted] was lifted by gains abroad, general optimism on the Norwegian economy and [redacted] gold medals at the Lillehammer Olympics, the all-share index rising 10.56, [redacted] 1.6 [redacted] to [redacted].

ATHENS rallied [redacted] consecutive [redacted] betting [redacted] government would not make changes at the National Economy ministry where the minister, Mr George Yennimatas, [redacted] health problems.

ISTANBUL [redacted] further [redacted] cent [redacted] to bring [redacted] the week [redacted] far to 27 [redacted]. The composite [redacted] 1,247.83 [redacted] 17,681.32.

[redacted] remarked [redacted] a semblance of [redacted] had returned to the [redacted] market [redacted] helping [redacted] inject a [redacted] optimism.

Turnover was down to [redacted] after Tuesday's [redacted].

Written and edited by William Cochrane and John Pitt

FT-SE Actuaries Share Indices

Feb [redacted] Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1487.96	1490.22	[redacted]	1489.53	[redacted]	[redacted]	1491.01	[redacted]
FT-SE Eurotrack 200	[redacted]	[redacted]	[redacted]	[redacted]	1553.76	[redacted]	[redacted]	1554.48

THE EUROPEAN SERIES

	[redacted]	Feb 14	[redacted] 11	[redacted] 10	Feb [redacted]
FT-SE Eurotrack 100	1483.24	1477.57	1487.38	1489.22	[redacted]
FT-SE [redacted]	[redacted]	1534.08	[redacted]	1598.07	1561.00

Base value 1000 (26/10/90); High/day: 100 - 1492.11; 200 - 1554.84 Low/day: 100 - 1487.96 200 - 1548.00.

ASIA PACIFIC

Region volatile, mostly on downside [redacted] Nikkei firms

Tokyo

A lull in the yen's ascent against the dollar prompted bargain hunting and the Nikkei 225 average gained moderate ground, *writes Emiko Terazono in Tokyo.*

The 225 index climbed above the 19,000 level again, ending with an advance of 77.51 at 19,052.11 after a day's high of 19,267.03 and low of 19,032.40 just before the close.

Dealers led the way as participants bought to adjust their positions, and this pushed equities up in the morning session as the dollar strengthened against the Japanese currency.

Continued dollar buying by the Bank of Japan in the foreign [redacted] encouraged some investors. The Topix index of all [redacted] sec[redacted] stocks firmed 3.76 [redacted] 1,559.10, although the Nikkei 300 capitalisation weighted [redacted] lost 0.05 [redacted] 287.65.

Traders said reports of North Korea's decision to accept international inspection of its nuclear power sites also supported investor confidence. However, many investors, remaining wary of currency fluctuations due to lingering concern over US-Japan trade tensions, were still absent.

Volume totalled 360m shares, against Tuesday's 389m. Rising issues outnumbered declines by 770 to 265, with 136 stocks unchanged. In London the ISE/Nikkei 50 index put on 1.43 at 1,288.56.

Speculative trading by individual investors led activity. Shindengen Electric, the leader in volume terms, closed a net Y30 off at Y1,140. The issue has been actively bought recently on rumours of purchases by speculative investors, and was higher in the morning session yesterday on reports of better than expected profits for the current year.

Domestic investors bought Nippon Telegraph [redacted] Telephone, which rose Y3,000 to Y898,000. East Japan Railway gained Y8,000 at Y492,000.

Some export related stocks recovered, having lost ground previously on fears of lower profits due to the rise in the yen. Fujitsu moved ahead Y13 to Y991 and Hitachi firmed Y5 to Y875. However, Sony finally lost Y10 at Y5,860 in spite of initial strength, and NEC declined Y14 to Y971.

Some financials were lower on profit-taking. Dai-Ichi Kangyo Bank shed Y10 to Y1,920 and Sumitomo Bank [redacted] to Y2,110, while Tokio Marine and Fire, the [redacted], fell Y20 to Y1,280.

In [redacted], the [redacted] average rose 190.02 [redacted] in volume [redacted] 55.7m [redacted].

Roundup

[redacted] was widespread [redacted]ity in the region, with most of it on the [redacted].

HONG KONG [redacted] UK-based recovery hopes after an early attempt to indulge them, the Hang Seng index tumbling 378.19, [redacted] per cent, to 10,634.14 [redacted] an initial high [redacted] 11,119.51. Turnover [redacted] at HK$6.14bn.

Brokers blamed selling from the US, and by British business interests. Sellers talked of an expected rise in interest rates tomorrow as HSBC slid HK$2 to HK$115. Conglomerates led the retreat, however, Hutchison slipping HK$2.25 to HK$34.50, Jardine Matheson HK$3.50 to HK$72 and Swire "A" HK$4 to HK$57.50.

TAIWAN also reversed early gains, ending 2 per cent lower as late selling focused on the weak financial sector. The weighted index opened 100 points up, but closed 122.38 down at 5,862.63. Turnover was moderate at T$58.3bn.

Taiwan has its own trade talks with the US next week, and investors have also been worried [redacted] bank's interest rate policy.

JAKARTA extended Tuesday's falls, the composite index ending 7.89, or [redacted] cent, lower [redacted] 574.82. Bank Interna[redacted] dropped by 17.4 per cent to Rp7,025 in thin volume, [redacted] saying [redacted] restrictions on foreign ownership might be affecting the domestic market.

BOMBAY weakened after [redacted] dull opening [redacted] funds and institutions [redacted] selling, the BSE index losing [redacted] further 92.71, or 2.3 per cent, [redacted] 3,807.[redacted]

Brokers said foreign institu[redacted] bull run [redacted] cut [redacted] on [redacted] purchases after [redacted] share [redacted].

KARACHI saw early buying [redacted] take flight [redacted] reports of possible unrest in the north west frontier province, the KSE 100 index surrendering 21.47 at 2,401.52.

SEOUL [redacted] improved on North [redacted] decision to accept international inspection of its nuclear [redacted]. The composite index finished [redacted] 2.1 per cent, [redacted].

[redacted] Korea agreed on [redacted]day [redacted] inspectors from [redacted] International Atomic Energy Agency to check seven declared nuclear plants in the hardline communist state.

AUSTRALIA gained on the advances in the US and Japan, the All Ordinaries index closing 15.0 higher [redacted] 2,249.0. Resource [redacted] improved, Western Mining climbing 19 cents to A$7.61 on its partnership in a "technically feasible" gas discovery.

SINGAPORE saw revived interest in over-the-counter trading in Malaysian shares. Meanwhile, the Straits Times Industrial index rose 11.85 to 2,341.38, with Rothmans Industries up S$1.15 at S$9.30 on news of a special dividend.

Latin America reflects flow of funds

By John Pitt

L[redacted] has [redacted] benefiting [redacted] recent [redacted] from [redacted] general movement of institutional money out [redacted].

This [redacted] clearly indicated by [redacted] 20 [redacted] cent [redacted] in dollar [redacted] compared to an 11 [redacted] cent fall in Asia. The European mar[redacted] have been hit [redacted] harder, dropping by some 20 per cent [redacted] January, although [redacted] the story [redacted] influenced by [redacted] steep decline in Turkey.

[redacted] a summary inspection, [redacted] stands [redacted] as the [redacted] leader [redacted] Latin America [redacted] year, [redacted] says Mr Roger Palmer [redacted] Kleinwort Benson in London. [redacted] November all of [redacted] markets in [redacted] region have performed in [redacted] broadly similar manner, [redacted] rises of between [redacted] 52 per cent in dollar [redacted].

While investors have [redacted] encouraged by [redacted] in [redacted]ancing [redacted] Brazilian budget, [redacted] still [redacted] early, [redacted] Mr [redacted] view [redacted] country's economic [redacted] as all but solved. A [redacted] depends on whether the introduction [redacted] designed [redacted] tackle inflation will make a significant impression. He [redacted] view [redacted] this [redacted] from certain, especially [redacted] fluid political situation, [redacted] later this [redacted].

[redacted] Lanka has been [redacted] performance in south Asia, with [redacted] by its relative cheapness, compared with India. [redacted] Susan Murphy of Smith New Court comments that the launch of new country funds has helped.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. [redacted] stocks	Dollar terms: Feb [redacted]	% [redacted]	% [redacted] on [redacted] '93	Local currency terms: Feb 11	% [redacted]	[redacted]
Latin [redacted]							
Argentina	(25)	1,105.86	[redacted]	+11.2	878,388.31	-2.8	+11.2
Brazil	(57)	373.11	+15.9	+60.3	276,451,638.1	+27.2	+171.1
Chile	(25)	647.33	-6.9	+17.3	1,108.00	-7.3	+16.2
Colombia[1]	(11)	875.80	+11.5	+35.8	1,268.65	+11.5	[redacted]
Mexico	[redacted]	1,101.31	[redacted]	+10.1	1,474.92	-0.3	[redacted]
Peru[2]	(11)	161.15	-3.8	+25.0	200.56	-3.8	+26.1
Venezuela[3]	(11)	789.94	-2.0	+33.5	1,977.57	-2.0	[redacted]
[redacted]							
China[4]	[redacted]	127.02	+0.0	-14.9	139.80	+0.0	-14.9
[redacted]	(156)	127.19	-4.7	+7.6	135.19	-4.6	+7.7
Philippines	(18)	300.19	+1.7	-11.8	394.45	+1.7	-11.2
Taiwan, [redacted]	(90)	140.59	+0.0	+4.0	139.45	+0.0	+4.2
[redacted]							
India[7]	(77)	134.64	+0.0	+15.6	148.90	+0.0	+15.6
Indonesia[8]	(37)	124.21	-2.9	-0.4	142.68	[redacted]	[redacted]
Malaysia	(105)	284.12	-2.9	-18.2	289.60	-3.1	-14.1
Pakistan[9]	(15)	399.72	+2.2	+0.5	533.26	+2.2	+1.0
[redacted] Lanka[10]	(5)	214.86	+4.2	+21.2	231.35	+4.7	+21.2
Thailand	(55)	387.46	-2.4	-16.6	401.66	-2.4	-16.6
[redacted]							
Greece	(25)	258.21	[redacted]	+13.4	441.81	-4.9	+14.9
Hungary[11]	(5)	239.68	-7.3	+43.8	295.02	-7.0	+46.1
Jordan	(13)	170.33	-1.2	+2.9	247.38	-1.2	[redacted]
Poland[12]	(12)	1,109.95	+15.4	+35.7	1,546.89	+16.9	[redacted]
Portugal	[redacted]	130.33	[redacted]	+14.5	157.89	[redacted]	+14.3
Turkey[13]	(40)	126.11	-23.4	-40.7	1,051.51	-22.0	-27.7
Zimbabwe[14]	(5)	223.60	[redacted]	+10.6	274.98	+7.6	+28.7

Indices are calculated at end-week, and weekly changes are [redacted] movement from the previous Friday. Base date: Dec [redacted] except those noted which are (1)Feb 1 [redacted] (2)Dec [redacted] 1992; (3)Jan [redacted] 1990; (4)Dec [redacted] 1992; (5)Jan 3 1992; (6)Jan [redacted] 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 [redacted] Dec [redacted] 31 [redacted] 31 1992; (13)Aug [redacted] 2 1993.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. [redacted] conjunction with the Institute of Actuaries and the Faculty of Actuaries

[redacted] AND [redacted] MARKETS. Figures in [redacted] show number of lines of stock	Tue Feb 15 1994: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % [redacted] on [redacted]	[redacted] Div. Yield	Mon Feb 14 1994: US [redacted] Index	Pound [redacted] Index	[redacted] Index	DM Index	Local Currency Index	Dollar Index: 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	178.87	-0.7	179.72	[redacted]	[redacted]	[redacted]	[redacted]	3.10	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	126.36	126.36
Austria (17)	186.55	0.9	187.43	121.58	167.35	[redacted]	-0.1	[redacted]	[redacted]	[redacted]	121.61	167.54	[redacted]	[redacted]	139.63	141.46
Belgium (42)	187.12	1.2	167.90	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	166.58	[redacted]	[redacted]	146.31	169.08	139.32	139.32
Canada (107)	134.68	0.6	135.33	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	133.95	[redacted]	88.15	[redacted]	[redacted]	145.31	117.81	119.29
Denmark (32)	267.18	0.5	268.44	174.12	239.68	[redacted]	-0.3	0.92	[redacted]	[redacted]	174.92	[redacted]	246.18	275.79	195.66	205.08
Finland (22)	149.05	1.0	149.75	[redacted]	133.71	[redacted]	0.3	[redacted]	147.57	[redacted]	97.11	[redacted]	[redacted]	156.72	68.33	68.47
France (99)	178.24	1.3	179.07	116.16	159.89	[redacted]	0.5	2.83	[redacted]	177.46	115.73	[redacted]	163.49	185.37	149.60	160.00
Germany (59)	132.56	0.7	133.19	[redacted]	118.92	118.92	-0.4	[redacted]	131.67	[redacted]	86.64	[redacted]	[redacted]	142.38	107.59	110.25
Hong Kong (56)	447.19	0.2	449.30	[redacted]	401.17	444.11	0.1	2.40	[redacted]	[redacted]	293.63	[redacted]	[redacted]	506.56	239.84	242.31
Ireland (14)	192.45	1.0	193.35	[redacted]	[redacted]	[redacted]	0.6	[redacted]	[redacted]	[redacted]	125.36	172.71	[redacted]	209.33	129.91	130.33
Italy (68)	76.30	0.0	76.66	[redacted]	68.45	95.43	-0.5	1.72	76.30	76.99	50.21	69.17	95.93	78.93	55.21	59.68
Japan (468)	151.50	-0.6	152.22	98.74	135.91	[redacted]	-1.6	0.82	[redacted]	[redacted]	100.33	[redacted]	100.33	165.91	107.97	107.99
Malaysia (69)	495.01	-1.2	497.34	[redacted]	[redacted]	529.99	-0.3	[redacted]	[redacted]	505.73	329.80	[redacted]	531.48	621.63	267.88	270.36
Mexico (18)	2578.14	-0.6	2590.24	1680.19	[redacted]	[redacted]	[redacted]	[redacted]	2593.99	[redacted]	1706.92	2351.65	8806.20	2647.08	1410.30	[redacted]
Netherland (26)	204.20	0.8	205.16	[redacted]	183.18	[redacted]	-0.2	[redacted]	202.65	[redacted]	133.35	[redacted]	180.82	[redacted]	155.60	[redacted]
New Zealand (14)	72.89	0.1	73.24	[redacted]	[redacted]	[redacted]	0.1	3.43	[redacted]	73.50	[redacted]	[redacted]	67.59	[redacted]	43.91	[redacted]
Norway (23)	196.62	0.8	197.54	128.14	[redacted]	[redacted]	-0.2	1.48	194.95	[redacted]	[redacted]	[redacted]	199.41	[redacted]	[redacted]	141.75
Singapore (45)	347.20	-1.1	348.83	[redacted]	311.47	[redacted]	[redacted]	1.59	[redacted]	[redacted]	230.96	[redacted]	[redacted]	[redacted]	213.57	217.58
South Africa (60)	242.20	1.5	243.34	[redacted]	[redacted]	[redacted]	1.2	2.38	238.70	[redacted]	157.07	216.40	[redacted]	280.26	[redacted]	[redacted]
Spain (42)	150.17	1.0	150.87	97.87	134.71	160.29	0.3	3.66	[redacted]	[redacted]	97.81	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Sweden (36)	215.79	1.2	216.81	[redacted]	[redacted]	256.80	0.9	[redacted]	213.22	215.15	140.31	[redacted]	[redacted]	230.02	[redacted]	182.40
Switzerland (45)	166.48	2.8	167.26	108.50	[redacted]	[redacted]	1.4	1.46	[redacted]	163.48	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	111.24
United Kingdom (215)	204.96	1.2	205.92	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	202.45	204.32	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	162.69
[redacted] (516)	192.11	0.5	193.01	125.20	[redacted]	192.11	0.5	2.73	191.17	192.90	125.80	173.31	191.17	[redacted]	[redacted]	[redacted]
[redacted] (744)	171.95	1.2	172.75	[redacted]	[redacted]	[redacted]	0.5	2.72	169.92	171.46	111.81	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Nordic (113)	210.10	1.0	211.09	[redacted]	[redacted]	217.87	0.6	1.17	[redacted]	209.92	136.90	188.60	[redacted]	[redacted]	[redacted]	[redacted]
Pacific Basin (722)	162.81	-0.6	163.58	[redacted]	[redacted]	[redacted]	-1.4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	169.80	113.07	[redacted]
Euro-Pacific (1466)	166.48	0.2	167.24	[redacted]	149.33	[redacted]	[redacted]	1.79	[redacted]	[redacted]	[redacted]	[redacted]	133.08	[redacted]	[redacted]	122.11
North America (625)	188.55	0.5	189.43	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	187.62	189.32	[redacted]	[redacted]	[redacted]	192.73	172.67	[redacted]
Europe Ex. UK (529)	150.90	1.2	151.61	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	150.48	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
Pacific Ex. Japan (253)	271.93	-0.4	273.21	177.22	[redacted]	251.20	-0.1	2.40	[redacted]	275.52	[redacted]	247.54	[redacted]	296.21	162.91	162.91
World Ex. US (1651)	168.03	0.2	168.82	[redacted]	150.73	135.58	[redacted]	1.79	167.72	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	123.39	[redacted]
World Ex. UK (1954)	172.14	0.2	172.95	112.19	[redacted]	[redacted]	-0.3	[redacted]	171.61	173.36	[redacted]	155.76	148.60	175.58	[redacted]	[redacted]
World Ex. So. Af. (2109)	174.64	0.3	175.46	113.82	[redacted]	152.48	-0.2	2.13	174.15	[redacted]	[redacted]	[redacted]	[redacted]	178.56	[redacted]	[redacted]
World Ex. Japan (1700)	189.32	0.7	190.21	[redacted]	[redacted]	[redacted]	0.4	2.66	188.06	[redacted]	[redacted]	[redacted]	184.96	195.20	[redacted]	161.42
[redacted] World Index (2180)	[redacted]	[redacted]	175.84	[redacted]	157.00	153.21	[redacted]	2.13	174.50	[redacted]	[redacted]	158.20	[redacted]	178.97	[redacted]	[redacted]

Latest prices were unavailable for this edition.

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Norsk Hydro increases sharply

Norsk Hydro, Norway's largest publicly-quoted company, reported a sharp increase in profits, helped by lower costs, higher oil production and the disposal of the group's 38.3 per cent stake in Freia Marabou, the Norwegian chocolate producer. Page 22

Cold cuts
Stocks of beef in cold stores across the EU hit a record of 1.1m tonnes a year ago, leading to calls for cuts in the beef mountain. The EU will spend about Ecu1.38bn ($1.6bn) on buying surplus beef from farmers this year. Page 30

Spain set for record placement
FCC, a leading and highly diversified Spanish construction company, is to make the largest ever equity placement by a private Spanish company. Most of the placement, which could raise more than $300m, will be offered to US and UK institutions. Page 22

Brambles hits A$314m loss
A large write-off at its US incineration subsidiary caused Brambles, the Australian transport, equipment hire and waste disposal group, to post a A$313.9m (US$223.9m) loss after tax and outside equity interests in the six months to end-December. Page 23

Daiei forms trading partnership
Daiei, Japan's largest supermarket chain, has formed an import buying partnership with Marubeni, a general trading company, the first tie-up between a leading Japanese trader and retailer. Page 24

Rover reacts to Honda withdrawal
Many Rover executives and engineers regret the loss of Honda as a long-term partner but can see benefits in BMW's ownership, such as the financial resources they expect to be made available. Meanwhile, Allied-Lyons, the drinks, food and retailing group, said it did not expect the Rover affair to have a significant affect on its links with Suntory, Japan's largest whisky distiller, and played down fears of harm to other Anglo-Japanese ventures. Page 26

Merrydown down
Shares in Merrydown, the UK cider and soft drinks maker, tumbled yesterday after it issued a warning on profits and announced plans to restructure. Page 27

Restructuring [redacted] Low & [redacted]
Low & Bonar, the UK packaging and plastics group, has announced a near fourfold increase in profits thanks to a wide-ranging restructuring and contributions from new subsidiaries. Page [redacted]

Ashtead doubles to £3.26m
Ashtead, the UK plant and machinery hire group which had a £20.4m ($30m) rights issue in November, more than doubled pre-tax profits to £3.26m in the six months to October 31. Page 28

Floating on [redacted]
Trafficmaster, the UK company which claims [redacted] first commercially [redacted] on-board traffic monitoring system, will soon come to the market with a capitalisation of about [redacted] Page [redacted]

Markets caught by surprise
Unexpected political and [redacted] developments in Japan, Europe and the US provided the impetus for equities [redacted] week. In Tokyo, a higher yen in the aftermath of the breakdown in trade talks with the US left equities sinking. Back Page

Companies in this issue

Market Statistics

Chief [redacted] changes [redacted]

FRANKFURT [redacted]				Credit Nat	642	-	17
Rises				Eaux Cie Gen	2685	-	82
GEHE	[redacted]	+	[redacted]	Radiotechn	524	-	29
[redacted]	[redacted]	+	6	[redacted]	890	-	70
Falls				**TOKYO (Yen)**			
BMW	848	-	19.5	**Rises**			
Daimler-Benz	820	-	19.5	[redacted]	855	+	[redacted]
Metallgesellschft	175.5	-	[redacted]	NSK	658	+	[redacted]
PWA	228	-	10	Nippon Soda	395	+	[redacted]
PARIS (FFr)				Toei	800	+	[redacted]
Rises				[redacted]	378	+	[redacted]
BIC	[redacted]	+	[redacted]	**Falls**			
Falls				Daido Steel	440	-	10
Chargeurs	1392	-	58				

New [redacted] closed.

LONDON (Pence)				Bullough	181	-	12
Rises				[redacted] Comp	155	-	10
Bletchley	[redacted]	+	[redacted]	Johnson Fry	368	-	10
Greenacre	[redacted]	+	[redacted]	Ladbroke	189	-	8
[redacted] Bros	[redacted]	+	10	London [redacted]	839	-	27
Park Food	[redacted]	+	19	Merrydown	159	-	54
SEET	63	+	7	Navan Res	158	-	17
Sheafbank [redacted]	28	+	4	RTZ	819	-	28
[redacted] Prop	42	+	14	Standard [redacted]	[redacted]	-	28
Trans World	178	+	19	Taunton Cider	182	-	7
Wilshaw	47	+	3				
Falls							
Bakyrchik	330	-	10				

Rhône bids for drug distributor

By John Ridding in Paris

Rhône-Poulenc, the French chemicals and pharmaceuticals group, yesterday launched a FFr3bn ($500m) bid for Cooperation Pharmaceutique Française (Cooper), a private company which is one of France's biggest distributors of drugs and healthcare products to retail chemists.

The offer [redacted] as "attractive" by Cooper. It requires the approval of shareholders, including 3,000 pharmacists who control about 40 per cent of the equity. The date of [redacted] shareholders' assembly should be announced tomorrow.

The friendly bid is the first significant strategic move by Rhône-Poulenc since its privatisation in November last year. It comprises a cash offer of FFr2,400 per share in Cooper, or an exchange [redacted] each Cooper share for 18 Rhône-Poulenc shares.

The proposed deal is the latest in a [redacted] acquisitions by pharmaceuticals companies seeking to strengthen their presence in distribution. Last year in the US, [redacted] Medco, a drugs mail order company, and Gehe of Germany [redacted] control [redacted] OCP, Cooper's principal French rival.

Rhône-Poulenc [redacted] acquisition would strengthen its position in France's [redacted] of pharmacies. "Cooper has very close links with pharmacies [redacted] supplier [redacted] an [redacted] and [redacted] with about 90 [redacted] the [redacted] pharmacy [redacted] that [redacted] in France."

The [redacted] changes in the French [redacted] market. "Pharmacists are playing an increasingly important role in advising patients and dispensing drugs, and self medication is on the rise," the [redacted] said.

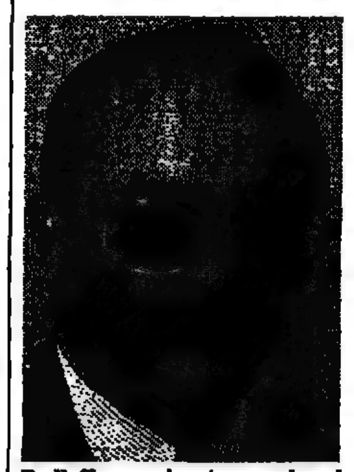
Rhône-Poulenc and Cooper already [redacted] commercial ties. Cooper [redacted] Doliprane, the paracetamol [redacted] which [redacted] Rhône-Poulenc's biggest selling drug in France, [redacted] the Vaxigrip flu [redacted] by [redacted] company's Institut [redacted] unit.

The offer price [redacted] FFr2,400 per share [redacted] equivalent [redacted] 17.7 times [redacted] earnings [redacted] by Cooper in [redacted] twice the net [redacted] of [redacted] shares. Cooper, [redacted] founded in [redacted], achieved [redacted] of FFr1.8bn [redacted] FFr2bn [redacted].

Rhône-Poulenc [redacted] it had [redacted] the [redacted] to minimise the impact on [redacted] balance sheet. Last [redacted], the group's [redacted] reduced by more than FFr9bn, from FFr33.7bn [redacted] FFr24.1bn.

Rhône-Poulenc [redacted] it anticipated about half of the [redacted] the [redacted] would be represented by the [redacted] exchange and [redacted] would be no significant impact on earnings per [redacted] company's [redacted] slipped yesterday, however, falling FFr4.7 [redacted] FFr140.5.

Rudloff quits CS Holding board



Rudloff: pursuing 'personal and family business interests'

By Ian Rodger in Zurich

Mr Hans-Jörg Rudloff, long-time head of Credit Suisse First Boston [redacted] London, [redacted] the [redacted] financial [redacted] "[redacted] personal and family [redacted] interests", according to CS.

Mr Rudloff was one of the leading figures in London's international [redacted] markets throughout the 1970s and 1980s. He joined CSFB in 1980 and kept it among [redacted] Eurobond [redacted] equity houses in the City.

CS said it "very much regret[redacted] Mr [redacted] resignation. [redacted] replacement for him was announced.

His sudden move last March to Zurich to the executive board of [redacted] Holding, parent [redacted] the whole financial [redacted] built [redacted] Credit Suisse, [redacted] the financial community by surprise. He too seemed surprised, saying: "You can never pre-judge a board in Switzerland."

His move came amid a drive by CS Holding [redacted] eliminate [redacted] rivalry between its [redacted] investment banking subsidiaries. Mr David Mulford, a former US Treasury official [redacted] a vice-chairman of [redacted] First Boston [redacted] York, replaced Mr [redacted] CSFB. Three [redacted] later, Mr [redacted] Cox, chief executive of [redacted] US operations [redacted] Boston, [redacted] resigned "to [redacted]".

[redacted] also a [redacted] when [redacted] traditional Euromarkets [redacted] CSFB in London [redacted] by [redacted] thrusting [redacted] affiliate, [redacted] Products, run by Mr Allen Wheat.

Mr Rudloff's only responsibility [redacted] the CS Holding board was to help Mr Rainer Gut, chairman, with strategic planning. Friends [redacted] while [redacted] was a [redacted] strategist, [redacted] was an assignment, not a job, and would not satisfy him. A former CSFB colleague said that he would be very surprised if Mr Rudloff, who is 53, was about to retire.

■ Mr Rainer Gut is to retire from the board of Elektrowatt, a Swiss electrical generating company controlled by CS. Elektrowatt said Mr Gut wanted to con[redacted] the group's core financial businesses.

Simon Davies and Vanessa Houlder report on a Soros-Ritblat property deal

British Land buys stake in Stanhope

George Soros (left) and John Ritblat, who have made a move on the prestigious Broadgate Centre in London

British Land has acquired 29.9 per cent of the property company Stanhope, in a deal aimed at giv[redacted] Mr John Ritblat and Mr George Soros control of the prestigious Broadgate Centre in London.

The share price of Stanhope rose 14p, or 50 per cent, to 42p, on the announcement.

The Stanhope stake will be transferred to the £500m ($730m) British Land Quantum Property Investment fund, the joint venture between British Land and Mr Soros, formed last June.

British Land hopes to leave the fund with 100 per cent of the Broadgate and Ludgate developments, valued at close to £1bn, and leave Stanhope as an independently managed company.

Stanhope announced in [redacted] that it was considering ways [redacted] strengthen [redacted] balance [redacted]. In [redacted], [redacted] negative net worth of £15.8m, [redacted] its rental income has remained insufficient [redacted] its [redacted] financing and [redacted].

Stanhope's most significant [redacted] its half [redacted] in the Broadgate development, [redacted] to London's Liverpool [redacted] station, which [redacted] £2bn to build and still carries £800m debt. Stanhope also holds pre-emption rights over the remaining stake, which is in the [redacted] the receivers [redacted] Rosehaugh, which collapsed in [redacted].

Mr Ritblat, British Land's chairman, [redacted]: "The best case [redacted] would [redacted] that we take out the Broadgate and Ludgate complexes from [redacted]hope and [redacted] receivers, and [redacted] organise it that Stanhope is [redacted] and able [redacted] return [redacted] doing [redacted] it [redacted] best."

He said [redacted] wanted Stanhope [redacted] remain independent, and British Land would not request board representation.

The Stanhope [redacted] were part [redacted] Olympia [redacted] per cent stake, which was taken on by the Bank [redacted] Scotia. British Land is paying £1.64m [redacted] and issuing 753,562 [redacted] at 440.5p, valuing the deal [redacted] £4.96m, compared with the [redacted] paid by O&Y in 1988.

If the restructuring [redacted]ful, British Land will pay an additional [redacted] cash and 1.13m new [redacted] which would represent a purchase price of [redacted] compared with Friday's closing price [redacted].

Mr Ritblat said the removal [redacted] the Broadgate development would reduce "Stanhope's problems to more manageable proportions". It would retain a portfolio valued [redacted] around £170m, and a number [redacted] development companies.

Lex, Page 20

Bonds take another tumble

By Conner Middelmann, Terry Byland and John Pitt in London

Europe's bond markets took another tumble yesterday, rattled by strike threats from Germany's largest trade union and by the possibility [redacted] further US monetary tightening.

Dealers said [redacted] the selling came from professional traders [redacted] the futures markets, while [redacted] were reported [redacted] have remained [redacted] the [redacted].

Although US markets [redacted] for a national holiday, [redacted] reported continued selling by [redacted] hedge funds, [redacted] frantic pace [redacted] week. Hedge [redacted] – private pools [redacted] highly leveraged funds – [redacted] big buyers [redacted] European bonds [redacted] and have recently [redacted] reported [redacted] liquidating their holdings.

German government bonds dropped [redacted] almost a point after the country's powerful engineering union, [redacted] Metall, [redacted] it had called a [redacted] in Lower [redacted]ony. [redacted] of a [redacted] was used as [redacted] excuse for further selling [redacted] bearish sentiment. UK gilts fell by more than a point.

The sell-off of European [redacted] began earlier this month when [redacted] Reserve raised interest [redacted]. Despite [redacted] round [redacted] European interest rate cuts, bond [redacted] remain [redacted] by [redacted] the end [redacted] the global rally has come.

"It's a case [redacted] the end-of-cycle blues," [redacted] Mr Graham McDevitt, bond [redacted] market [redacted] firm IDEA.

European equity markets eased under the pressure of falling bond markets and fears of a further decline in Wall Street later today.

In Germany, the Dax index of the 30 most widely traded stocks fell 1.5 per cent, while in France the CAC-40 index slipped 1.6 per cent.

In the UK equity market, the FT-SE 100 index fell 32.3 to 3,350.3, with losses intensified in late trading after reports of the German strike talks. Although trading was subdued by the holiday closure in New York, the London market found difficulty in holding on to the important 3,350 benchmark, which was briefly [redacted] just before the [redacted] business.

Today the markets will be [redacted]tening for the comments made [redacted] Mr Alan Greenspan, chairman [redacted] the US Federal [redacted] to Congress.

Lex, Page 20; London [redacted] Page 31; World stock markets, [redacted] Page

Small price to pay for a prime seat in London

The [redacted] that Mr John [redacted] British Land [redacted] bought a stake in Stanhope, a struggling developer, has turned the spotlight on Broadgate, the City of London complex which is Stanhope's main asset.

For a small outlay, Mr Ritblat has won a seat at the negotiating table, from which he intends to gain control of Stanhope's Broadgate assets.

The deal was greeted by analysts as a potentially important deal for British Land. "It looks as though John Ritblat is making sure that he either gets Broadgate through the corporate route, or that he has a ringside seat whenever it goes up for sale," said Mr Chris Turner, director of research at Barclays de Zoete Wedd Securities.

"This is potentially another big hit by British Land," says Mr Robert Fowlds of Kleinwort Benson. "Mr Ritblat is paying a small amount for potentially a slice of a £1bn [$1.48bn] property."

It is not yet clear whether Stanhope will play according to Mr Ritblat's plans, although its alternatives appear limited.

The company responded to the announcement with a statement that it intended "to begin discussions with British Land to seek [redacted] proposals [redacted] Stanhope". Stanhope, which [redacted] been working on restructuring plans [redacted] own, has previously been unenthusiastic about [redacted] prospect of selling off [redacted] prize [redacted] in their entirety.

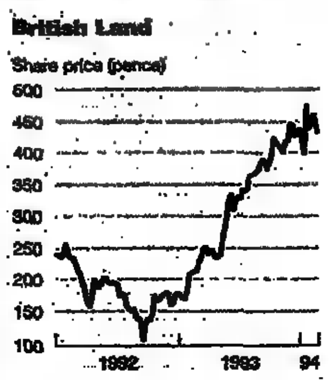
It said it would "continue [redacted] on their merits, all [redacted] available to Stanhope, including any proposal which British Land may make".

Stanhope also appeared to query the validity of the stake acquisition by drawing attention to the pre-emption rights belonging to Mr Stuart Lipton, Stanhope's chief executive, by which he would have first refusal on the shares that originally belonged to Olympia & York.

If British Land succeeds in achieving its goal, the prize could be a substantial one. Stanhope owns a half share of Broadgate Properties, which owns six buildings in [redacted] Broadgate Development, as well as the 600,000 sq ft Ludgate Development on the western edge of the City of London. It also has pre-emption rights over the other half, which is controlled by the receivers of Rosehaugh.

British Land

Share price (pence)



Source: FT Graphite

Broadgate was one of the largest developments to be built in the 1980s. At a ceremony during the building work in July 1986, Lady Thatcher, the former prime minister, described it as the largest development in the City of London since the Great Fire of London in [redacted].

The £2bn development [redacted] the financial [redacted] industry. Its large buildings, constructed [redacted] accommodate the computer cabling and air-conditioning needed by large trading floors, succeeded in persuading a workforce of some 20,000 to move to hitherto unfamiliar territory north-east of the City of London.

It was a remarkably ambitious scheme for two small companies. Carried out in partnership with the British Rail Property Board, it [redacted] in 1983 by Mr Lipton and Mr Godfrey Bradman, both property entrepreneurs.

The key [redacted] such relatively insubstantial companies to build such a large development lay in the use of non-recourse loans – commonplace in the US but new to the UK. These allowed the borrower to confine the security of the loan to specific assets, rather than the parent company.

Despite Broadgate's success in attracting prestigious tenants, [redacted] was not enough to cushion [redacted] developers from the downturn which hit the industry in 1990. Rosehaugh was one of the first large property companies to signal the coming problems, when it announced a [redacted] rights [redacted] in 1990. Its losses mounted and in December 1992 the company was put into receivership.

Stanhope [redacted] struggled on, courtesy of its bankers. Its net assets fell from £458m in 1990 to [redacted] minus £15.8m in June 1993. Asset values have started to appreciate again, but the company has continued to suffer operating losses. Several [redacted] it [redacted] work on [redacted] £150m restructuring plan, which involved raising new funds and merging with its associate Broadgate Properties. Analysts expected to see some results last month, but progress so far has been limited.

British Land [redacted] yesterday that it intended to play a role in Stanhope's restructuring plans. Mr Ritblat said, however, that he was not interested in gaining control [redacted] Stanhope, or even in having board representation.

In his view, [redacted] solution [redacted] Stanhope's problems [redacted] to sell Broadgate and Ludgate – and in the process offload the large debt they carry. "We want to stabilise Stanhope and provide some some seed capital. We know what we want to do," he said.

Norsk Hydro sharply ahead at NKr3bn

By Karen Fossli in Oslo

Norsk Hydro, Norway's largest publicly-quoted company, yesterday reported [illegible] sharp increase in 1993 profits, helped by lower costs, higher crude [illegible] production and the disposal of the group's [illegible] per cent stake in [illegible] Marabou, the Norwegian [illegible] producer.

[illegible] also plans to spend between [illegible] and NKr700m on expanding its three [illegible] plants. If the plan is adopted later [illegible] year annual production [illegible] the [illegible] material S-PVC will rise [illegible] four-year period. from [illegible] current figure of [illegible] tonnes.

European capacity [illegible] 6m tonnes a year, and PVC prices have fared relatively well in [illegible] petrochemical [illegible] dogged by overcapacity in Europe.

[illegible] Hydro's net profits in [illegible] advanced to NKr3bn [illegible] – [illegible] pre-tax gain [illegible] NKr2.53bn from [illegible] Freia disposal – [illegible] NKr1.8bn in 1992. Excluding the gain, net profit [illegible] NKr1.2bn.

The board proposed lifting the 1993 [illegible] NKr3.50 [illegible] from NKr3 in 1992. Group operating profit [illegible] by [illegible] to NKr4.04bn from [illegible] as sales [illegible] by [illegible] to [illegible].

"Prices for most of our core products have been [illegible] low, but this was largely offset by a higher exchange [illegible] the US dollar. The improvement was due primarily to lower production costs and higher crude oil production," Mr Egil Myklebust, president, said.

Hydro [illegible] the [illegible] tional [illegible] large exports from [illegible] former Soviet Union have depressed [illegible] continue to [illegible] tainty, particularly for light metals. Low crude oil prices and continuing structural problems in the European fertiliser industry [illegible] represent challenges, [illegible] added.

Group financial [illegible] last [illegible] were [illegible] to NKr1.94bn from NKr2.62bn a [illegible] earlier as foreign [illegible] losses fell sharply to [illegible] from NKr1.4bn. For the group's [illegible] business segments, agriculture [illegible] to an operating profit of NKr451m in 1993 from a loss [illegible] NKr215m as [illegible] by NKr1.5bn [illegible].

The [illegible] was due [illegible] significantly lower [illegible] following two [illegible] of restructuring, and higher sales volume in Europe. In [illegible] Hydro charged [illegible] with restructuring [illegible] NKr160m, but [illegible] 1991 [illegible] have been cut by NKr922m, far above a goal [illegible] NKr800m [illegible] by the [illegible].

Oil [illegible] profit by NKr497m [illegible] NKr3.15bn as sales rose by NKr1.41bn [illegible] NKr14.1bn. Petroleum production increased by 1.1m [illegible] of oil equivalent to 9.4m, helped by two [illegible] fields being brought on [illegible].

Light metals, the only one [illegible] the group's divisions to suffer a setback, [illegible] operating profit [illegible] fall [illegible] as sales [illegible] NKr69m to NKr16.3bn. Weaker prices for primary aluminium and lower demand for aluminium extrusions were behind the decline.

Ahold buys US stores group from Promodes

By Ronald van de Krol in Amsterdam

Ahold, the Dutch-based supermarket group which already ranks among [illegible] 10 largest food retailers in the [illegible] position in the south-eastern US by acquiring Red Food [illegible] from Promodes, the French retailing group.

Red Food Stores, with annual sales of $585m, operates 55 grocery stores in eastern Tennessee and Georgia.

When the deal is completed [illegible] late April, it will mark [illegible] sixth acquisition [illegible] US supermarket chain [illegible] the [illegible] market in 1977. The [illegible] purchase will lift its annual US turnover by almost [illegible] per [illegible] to about Fl 7.25bn ($3.75bn), representing slightly more than half of [illegible] sales.

Ahold [illegible] to give financial [illegible] but [illegible] the purchase would be financed out of "[illegible] resources". In May the [illegible], which has long been seeking a new [illegible] acquisition, raised roughly Fl 450m through [illegible] 1-for-10 [illegible].

Away from [illegible] US, Ahold has been concentrating [illegible] expansion in [illegible] on Portugal, where [illegible] has [illegible] several [illegible] and hypermarket [illegible] Republic, where it [illegible] slowly building up [illegible] Mana chain.

The acquisition [illegible] Red Food [illegible] pattern of [illegible] US growth, which [illegible] on buying supermarkets in contiguous regions [illegible] promote partner[illegible] and to spread [illegible] Dutch company's presence across [illegible] eastern [illegible].

"[illegible] see [illegible] opportunities for synergy, benefiting both our customers as well as the [illegible] line," Mr Robert Zwartendijk, [illegible] of Ahold [illegible], said.

Red Food [illegible] base in Tennessee and [illegible] is close [illegible] that [illegible] Ahold's Bi-Lo chain, which operates 187 supermarkets in [illegible], North [illegible]lina and South Carolina.

[illegible] four other US chains cover the eastern US from Virginia to [illegible].

Spaniards set for record $300m equity placement

By Tom Burns in Madrid

Fomento [illegible] Construcciones y Contratas (FCC), a leading and highly [illegible] Spanish construction company, [illegible] the [illegible] equity placement by [illegible] private Spanish [illegible].

The bulk of the placement, which [illegible] than [illegible], will [illegible] and UK [illegible], with Goldman [illegible], the [illegible] bank, leading the US tranche [illegible] co-leading the UK and continental Europe tranche with [illegible] Hispano [illegible] place [illegible] smaller [illegible] institutions.

Analysts said [illegible] decision could inspire more domestic companies [illegible] tap the markets. Large Spanish corporate placements [illegible] usually [illegible] domain [illegible] public sector, the [illegible] being [illegible] utility [illegible] which announced [illegible] $1.4bn global offering [illegible] weekend.

Some [illegible] per [illegible] of FCC will [illegible] to the markets [illegible] will raise the [illegible] shares that [illegible] freely traded to 40 per cent, one of the big[illegible] struction companies.

The equity [illegible] offered [illegible] treasury stock, [illegible] by FCC's [illegible] subsidiary Valderribas and [illegible] portion of [illegible] shareholding in FCC that [illegible] owned by [illegible] Koplowitz family.

In addition to [illegible] lead management role, Goldman will act as the global co-ordinator of the placement and the design of the global [illegible] – private placements [illegible] two international tranches, [illegible] and one for the UK and continental Europe, and a third tranche for domestic institutions – [illegible] closely the pattern that Goldman established [illegible] it brought Repsol, the state-owned [illegible] to [illegible] market [illegible] year.

The FCC mandate turns Spain [illegible] bank's leading profit [illegible]. Goldman [illegible] be advising Endesa's global offering, which [illegible] likely [illegible] it could [illegible] place another portion of Repsol equity [illegible] market [illegible] the [illegible].

FCC [illegible] company [illegible] divisions covering [illegible]struction, cement, property, [illegible] parks, [illegible] management, [illegible] cleaning. It [illegible] the leadership of the domestic [illegible] tion industry with Dragados y Construcciones, has a 70 [illegible] quota [illegible] the [illegible] growing [illegible] management [illegible] second largest cement company after Cemex, [illegible] Mexican producer which acquired large Spanish [illegible] companies [illegible] years ago.

DSW calls for investigation at German group

By David Waller in Frankfurt

The DSW, Germany's small shareholder organisation, [illegible] called for a special investigation into [illegible] of the supervisory [illegible] Metallgesellschaft, in [illegible] that [illegible] management [illegible].

If shareholders reject an investigation at the special shareholders' meeting [illegible] the troubled metals, mining and industrial [illegible] next Thursday, [illegible] going [illegible] to [illegible] a [illegible], it [illegible] yesterday.

At the meeting, Mr Ronaldo [illegible] supervisory [illegible] chairman, [illegible] defend [illegible] supervisory board's [illegible] leading [illegible] Mr [illegible] Schimmelbusch, [illegible] former [illegible] tive, and other boardroom colleagues [illegible] December.

Mr Schimmelbusch was sacked for allegedly not informing [illegible] supervisory [illegible] developments [illegible] MG Corp, the group's [illegible] commodities trading subsidiary. [illegible] there triggered a liquidity crisis which [illegible] group [illegible] turn [illegible] bankers for [illegible] DM3.4bn rescue package last month.

While [illegible] supervisory board [illegible] likely to agree to an [illegible]gation into the management, it may [illegible] want [illegible] subject [illegible] own [illegible] scrutiny. [illegible] said [illegible] to [illegible] whether [illegible] of [illegible] Metallge[illegible] meant it was impossible [illegible] supervisory board to fulfil its responsibilities.

Daimler-Benz in Swatch car venture talks

By Ariane Genillard in Bonn

Daimler-Benz, the German engineering group which owns Mercedes, will discuss today a possible joint venture [illegible] maker [illegible] the Swatch watch, [illegible] develop [illegible] small, economical [illegible].

Mr Roland Klein, Daimler-[illegible] spokesman, confirmed yesterday [illegible] possible collaboration [illegible] companies [illegible] on [illegible] agenda as [illegible] company's board [illegible] Tuesday meeting. But he warned that no final decision was yet in sight.

The "Swatchmobile" project has been promoted by Mr Nicolas Hayek, SMH chairman, for several [illegible]. Volkswagen [illegible] involved, [illegible] withdrew in January [illegible] year. Volkswagen said then it was under pressure [illegible] wanted [illegible] avoid [illegible] heavy investment [illegible] project.

Speculation that Daimler-[illegible] would build [illegible] long-awaited [illegible] recently increased [illegible] Mr Helmut Werner, [illegible] chairman of [illegible] said [illegible] in Frankfurt that his [illegible] with Swatch. SMH has [illegible] talking with [illegible] carmakers for [illegible] a [illegible].

The [illegible] two-seater, environmentally-friendly small car [illegible] of [illegible] competition [illegible] ingly important [illegible] ket segment.

German rival carmaker Volkswagen recently announced [illegible] Audi subsidiary would build a small car starting [illegible]. And BMW [illegible] taking control of [illegible] British car producer Rover, which manufactures similar [illegible].

"Nothing [illegible] decided," a spokeswoman for [illegible] said, adding [illegible] would be making no announcement today. Mr Hayek [illegible] recently [illegible] expected [illegible] name a partner [illegible] year.

BCI extends promotion of privatisation plan

By Robert Graham in Rome

The international promotion [illegible] the privatisation of Banca Commerciale [illegible] (BCI) [illegible] to continental Europe [illegible] the Far East following [illegible] roadshow in London yesterday [illegible] institutional investors.

Pricing of the [illegible] will be [illegible] Saturday in [illegible] the [illegible] of [illegible] per cent increase in net profit [illegible] L301.3bn ($180m) last [illegible].

[illegible] sharp increase in profitability [illegible] group, [illegible] by IRI, the Italian state holding company, was [illegible] largely to a turnround in the performance of BCI's Canadian and French subsidiaries.

[illegible] had already [illegible] those [illegible] the parent company and during [illegible] in the US.

Net [illegible] marginally up [illegible] L3,430bn from L3,386bn; [illegible] jumped 89 [illegible] L2,100bn. With operating [illegible] of L3,409bn held [illegible] per cent rise, group operating profit [illegible] 74 per [illegible] L1,901bn [illegible] L1,086bn.

[illegible] group set aside [illegible] for possible loan losses compared with [illegible] the previous year. Pre-tax profits [illegible] L1,163bn against L599bn but BCI [illegible] to make [illegible] stantially [illegible] tax provisions, up [illegible] to L840bn.

At the year end, the [illegible] total assets [illegible] at [illegible] compared with [illegible] in 1992. [illegible] grew [illegible] per [illegible] to L113,657bn while total cash [illegible] 7.5 per cent [illegible].

Euro Disney banks receive audit report

By John Ridding in Paris

[illegible] steering committee which represents the [illegible] Disney, the [illegible] leisure group, yesterday received an audit of the [illegible]ny's financial situation from [illegible] Marwick, [illegible] accountancy [illegible].

[illegible] report, which [illegible] way for detailed negotiations between the banks, Euro Disney and [illegible] Disney, includes an assessment of the [illegible] strategy being pursued by the loss-making and heavily [illegible] group.

[illegible] the various parties are expected to start later this week or next [illegible]. Walt Disney, which holds 49 per cent of Euro Disney's equity, has set [illegible] deadline [illegible] March 31 [illegible] conclusion of negotiations. [illegible] date, [illegible] warned it will [illegible] longer provide financial support for [illegible] Disney.

The negotiations will focus on how the burden of restructuring is to be shared. According to the report, Euro Disney requires a capital injection of up [illegible] ($2.17bn) [illegible] reduce the burden of [illegible] FFr20.3bn of debts.

Walt Disney is pressing the banks to reduce Euro Disney's [illegible] through the [illegible] issue and [illegible] debt [illegible] equity [illegible]. But the [illegible] banks, led by Banque [illegible] and Banque [illegible] from the US parent. These include a reduction in royalty payments which [illegible] to FFr262m [illegible].

Bikuben returns to the black but cuts payout

By Hilary Barnes in Copenhagen

Bikuben, [illegible] savings bank, has cut its annual dividend [illegible] DKr5 from DKr6 [illegible] share despite moving back into profit after two years of [illegible].

[illegible] group made [illegible] pre-tax profit of DKr193m [illegible] last [illegible] compared with a 1992 loss of [illegible] income [illegible] to [illegible] from [illegible] and costs were [illegible] to [illegible].

But [illegible] provisions, which rose [illegible] DKr1.75bn, there [illegible] operating loss of [illegible] against [illegible] loss of [illegible]. Only extraordinary income of DK325m enabled the savings bank [illegible] report a [illegible] profit.

Mr [illegible] Munk [illegible] chief executive, described [illegible] as "not satisfactory". Total assets increased [illegible] DKr100m from DKr95m and the group said the capital adequacy [illegible] was 11.1 [illegible] cent compared [illegible] Danish minimum [illegible] per cent.

INTERNATIONAL COMPANIES [redacted] FINANCE

Brambles in loss after US write-off

By Nikki Tait in Sydney

A large write-off at its US incineration subsidiary caused Brambles, the Australian transport, equipment hire and [redacted] disposal [redacted] to [redacted] A$313.9m [redacted] after [redacted] and [redacted] equity [redacted] in the six months to end-December. In [redacted] same period in [redacted], it [redacted] A$88m profit.

[redacted] at the operating profit level, [redacted] reported [redacted] earnings, with pre-tax profits dropping [redacted] A$120.9m from [redacted]. The equipment [redacted] fell [redacted] A$76m from [redacted] while earnings from the [redacted] treatment and disposal [redacted] dropped [redacted] from A$21.3m.

A more cheerful performance was notched up by the transport services division, [redacted] earnings rose to A$43.4m from A$33.6m. Group [redacted] were A$1.33bn, against A$1.37bn.

Brambles blamed the "severe economic downturn in Europe and the structural changes in the hazardous waste market in [redacted] US" for the poor trading results. The latter problem centres on Environmental Systems [redacted], the US company that Brambles bought in 1992 [redacted] a protracted acquisition [redacted] then, Ensco, a high-temperature incinerator operator, [redacted] struggling against competition [redacted] cheaper [redacted] – notably [redacted] and industrial furnaces.

Yesterday, [redacted] admitted this situation [redacted] unlikely to go [redacted]. "Despite representations by the incineration industry to the [redacted] Environmental Protection Agency, there is no evidence at this stage of pending changes to the regulations," it said. These, Brambles claims, allow cement kilns to operate [redacted] more favourable terms.

"Although the high-temperature incineration industry might get some relief ... in the long term, it is likely that cement kilns will continue to be a permanent feature of the US hazardous waste market."

Accordingly, Brambles is writing off the [redacted] value of the goodwill arising from the Ensco acquisition. This and a A$19.6m provision for rationalising [redacted] in [redacted] European operations led [redacted] a A$377m abnormal charge.

The [redacted] was more optimistic about its equipment rental and transport activities in continental Europe. These declined sharply in the first half, but "there [redacted] signs that the [redacted] may be [redacted] with [redacted] apparent bottoming [redacted] man economy". It [redacted] noted that, in contrast [redacted] the [redacted] and Europe, the [redacted] had generally performed [redacted] during the period.

The [redacted] said it [redacted] improve during [redacted] assuming no further deterioration in [redacted] performance and [redacted] in Europe, [redacted] and the [redacted]. It said that it still expected to maintain dividends, despite the abnormal charges.

CSR puts A$45m into Chinese venture

By Nikki Tait

CSR, the Sydney-based building products and [redacted] group, [redacted] investing A$45m (US$32m) in a new Chinese joint venture which will supply pre-mixed [redacted] in northern China.

It is the first time the Australian company has made a major commitment to the [redacted] market, and its largest foray [redacted] Asia [redacted] date.

At the outset, CSR will [redacted] a 63 per cent interest in [redacted] joint-venture company, [redacted] be called CSR Tianjin Readymix, with the government-controlled Tianjin Building Materials Supply General Corporation holding the minority interest. The Australian company will make an initial investment [redacted] A$23m.

However, when [redacted] second stage of the expansion programme [redacted] completed in approximately [redacted] years' time, [redacted] will [redacted] per cent, and [redacted] total investment is [redacted] to amount to A$45m.

The joint venture, to be managed by [redacted] will operate a large [redacted] quarry and construct four pre-mixed concrete plants close [redacted] Tianjin, an industrial centre in northern China and [redacted] 140 kilometres south-east of Beijing.

It [redacted] scheduled to [redacted] supplying the [redacted] with [redacted] – [redacted] which [redacted] currently mixed on site in northern China, according [redacted] CSR – in August this year. Within the three-year time-frame, sales are [redacted] to top A$70m, and production should top [redacted] of concrete [redacted] year. [redacted] from the quarry is [redacted] to treble to 3m tonnes [redacted] year.

About 135 concrete [redacted] should be operational.

CSR is understood to have other Asian projects under [redacted].

It recently reached [redacted] joint [redacted] to build [redacted] operate a A$29m [redacted] products factory in [redacted].

Top jobs change for third time at Philippine Airlines

By Jose Galang in Manila

Philippine Airlines (PAL), [redacted] national [redacted] carrier, is [redacted] out senior management changes for the third time since it [redacted] privatised 25 months [redacted].

The [redacted], including the appointment [redacted] a new president/chief operating officer, [redacted] instigated by PR Holdings, the consortium that acquired [redacted] per [redacted] PAL at a public auction in January [redacted]. Mr Carlos Dominguez, currently chairman and president, [redacted] likely [redacted] chairman/chief executive officer, [redacted] it [redacted] thought [redacted] overseeing day-to-day operations will be assigned [redacted] a PR [redacted].

[redacted] have been [redacted] yet, and [redacted] will [redacted] to [redacted] with the government, which owns [redacted] 28 per cent.

PR Holdings [redacted] that in the nine [redacted] unaudited net profits slumped [redacted] just [redacted] ($1.4m), from 1.17bn [redacted] the year before. [redacted] had [redacted] by almost [redacted] but [redacted] by [redacted] per cent.

PR Holdings [redacted] controlled by tobacco-and-banking magnate Mr Lucio Tan, but owing [redacted] his [redacted] with former dictator Ferdinand Marcos, the [redacted] ment had refused [redacted] allow him [redacted] run PAL directly.

At the time of the auction the consortium [redacted] headed by Mr Antonio Cojuangco, president of Philippine Long Distance Telephone [redacted] relative of former president [redacted] Corazon Aquino. Mr Cojuangco, however, [redacted] to [redacted] enough cash, forcing [redacted] to [redacted] the support of Mr Tan.

Mr Dominguez, a former agriculture secretary [redacted] bank executive, was [redacted] a [redacted] by the government to head the airline, [redacted] the [redacted] of [redacted] squabble [redacted] representation [redacted] PR Holdings. The [redacted] rel arose after a discovery that two state banks had put up [redacted] to support PR Holdings' [redacted] of PAL.

Although [redacted] government continues [redacted] support Mr Dominguez, there is agreement that he [redacted] with both positions. Late [redacted] year, Mr Tan placed [redacted] number of [redacted] people to key managerial posts.

[redacted] the past few months, Mr Tan has been the subject of [redacted] investigations for alleged [redacted] evasion.

At PAL, Mr Dominguez reported [redacted] the big drop in net profits had been due [redacted] higher [redacted] particularly after [redacted] out to foreign [redacted] nies the repair of aircraft engines.

If the trend does not change, PAL will suffer [redacted] first [redacted] in three years. Monthly [redacted] had been recorded since September [redacted] and early estimates for January, according to PR Holdings, indicate further red ink.

TNT fills two board positions

By [redacted] Tait

TNT, [redacted] Australian transportation [redacted] filled [redacted] of [redacted] boardroom [redacted] by [redacted] resignation [redacted] last [redacted].

The [redacted] said [redacted] that Professor [redacted] Hilmer and Mr Ian Salmon had been appointed in a [redacted] capacity.

The large number [redacted] vacancies occurred [redacted] Sir [redacted] Abeles, [redacted] played [redacted] major part in building up TNT, resigned from the board after policy differences. Other directors in the Abeles camp followed suit.

TNT subsequently [redacted] all [redacted] might [redacted] be filled, and that the [redacted] would probably shrink.

[redacted] Hilmer is Dean [redacted] Australian Graduate [redacted] of [redacted] in the University [redacted] New South [redacted] and also an MBA from the Wharton School of Finance in the US. He is a [redacted] of McKinsey [redacted] Company, [redacted] consultancy firm.

Mr Salmon is managing [redacted] of the Australian Mutual [redacted] Society, [redacted] country's largest financial [redacted] tions.

Suncrush posts fall in sales volumes at halfway stage

By Matthew Curtin in Johannesburg

Suncrush, [redacted] Africa's authorised [redacted] Coca-Cola and [redacted] soft drinks, [redacted] a decline [redacted] volumes in [redacted] half-year [redacted] December [redacted] which [redacted] masked [redacted] pre-tax [redacted] a sharp improvement in investment receipts.

Although [redacted] improved [redacted] R317.4m [redacted] R296.7m, [redacted] the [redacted] company shrank 3 per cent as consumption was knocked by a company price increase in January [redacted] 25 [redacted] cent increase in excise tax, the introduction of VAT, sluggish [redacted] spending and the impact of township violence on Suncrush's market.

Mr [redacted] Hamilton, [redacted] Suncrush would expect real growth in demand in the current six months were [redacted] not for the uncertainty surrounding the country's first non-racial elections in April. He said: "Question marks must hang [redacted] business [redacted] around the election, [redacted] probability of political stay-[redacted] hitting consumption of [redacted] products [redacted] productivity [redacted] our plants."

Operating [redacted] rose [redacted] R53.1m from R49.1m [redacted] investment [redacted] improved [redacted] R5.46m from R2.8m and [redacted] charges [redacted] R1.2m from R4.07m. Pre-tax [redacted] jumped [redacted] from R47.8m. Distributable profit [redacted] by nearly [redacted] to R38.1m, equivalent [redacted] against [redacted] a share, [redacted] the company's 50-for-one share split in [redacted].

The interim dividend is [redacted] to 4 [redacted] from [redacted].

Kersaf first-half profit up 15%

By Matthew Curtin

Strong performances from [redacted] hotel, casino and cinema interests boosted interim [redacted] Kersaf Investments, [redacted] South [redacted] leisure group. Pre-tax profit advanced 15 per cent to R233.9m ($67.7m) from R202.9m in the half-year to [redacted] 31.

Earnings improved [redacted] per cent [redacted] a share, but the interim dividend is increased by only 3 cents to 69 cents, covered 1.7 times against 1.6 times last year.

Mr [redacted] Hawton, [redacted] chairman, [redacted] in retained earnings [redacted] from "traditionally inadequate" dividend cover, which needed to be raised [redacted] further [redacted] and [redacted] run [redacted] long-term debt. He said Kersaf's [redacted] on the entertainments business left [redacted] vulnerable to political instability ahead of elections in April, hence the need [redacted] prudent.

In addition, the group's acquisition [redacted] the City [redacted] hotel chain in [redacted] tied by [redacted] new scrip, meant the group [redacted] be servicing more [redacted] Mr [redacted] it was difficult [redacted] be more optimistic than [redacted] predict satisfactory growth by year-end in [redacted] political climate.

The [redacted] per cent increase in turnover [redacted] R1.18bn from R999.6m [redacted] the strong interim showing by Sun International, in which [redacted] an [redacted] per cent [redacted].

Operating profit rose to R256.7m from R210.7m, before a rise in [redacted] borrowing costs [redacted] from associates improved to R42.5m from [redacted] tax profit climbed [redacted] R224.1m from [redacted].

NEWS DIGEST

Revamp for United Westburne

United [redacted], the North American plumbing, heating and electrical equipment wholesaler, plans a [redacted] restructuring [redacted] profitability, [redacted] Robert Gibbens in Montreal.

Westburne, controlled by France's Lyonnaise [redacted] Eaux-Dumez, [redacted] 1991-92 because of the broad [redacted]. It [redacted] by 1,000 and [redacted]. But recovery has [redacted] slow, mainly [redacted] construction slump in [redacted] Canada.

Mr Robert Chevrier, recently [redacted] chief executive, said 350 [redacted] would go and [redacted] Burlington [redacted] near Toronto closed. A [redacted] special charge will [redacted] taken [redacted] the [redacted]. Other warehouses may [redacted] closed and [redacted] transport services [redacted].

[redacted] said [redacted] would report operating net profit [redacted] C$4.5m for [redacted] but a [redacted] of C$29.8m after special charges. In [redacted] was C$10.8m, or [redacted] a share, [redacted] of C$2.1bn.

Aberfoyle to raise A$82m

Aberfoyle, [redacted] Australian mining [redacted], has passed [redacted] interim [redacted] launched an A$82.3m one-for-four rights [redacted] staying in the [redacted] months [redacted] December, [redacted] Bruce Jacques [redacted] Sydney.

Higher output and improved lead [redacted] prices helped the company to a 31 per cent sales [redacted] A$55.2m (US$39.4m). [redacted] loss for the half was reduced [redacted] A$2.6m from $A5.8m.

[redacted] provision eased to [redacted] from A$7.8m and exploration write-offs fell to [redacted] A$8.7m. New shares will be issued [redacted] A$4.35 each.

Indian drug group to [redacted] GDRs

[redacted], an Indian pharmaceutical and healthcare company, announced it [redacted] launching a $75m offering of global depositary receipts (GDRs), [redacted] Sara Webb.

[redacted] the [redacted] Indian [redacted] in [redacted] pharmaceutical [redacted] to launch an international equity offering. The proceeds will be used [redacted] finance [redacted] expansion [redacted] including [redacted] construction [redacted] new bulk drug manufacturing plant and a [redacted] pesticides manufacturing plant. [redacted] lead [redacted] international offering.

Jindal Photo plans Euro issue

Jindal [redacted] Films, India's biggest manufacturer of photographic products, [redacted] it would float an $85m Euro issue in May 1994 to fund expansion, Reuter reports from New Delhi. A company [redacted] gave no details on [redacted] issue the company intended, and company officials [redacted] unavailable for [redacted].

The statement said Jindal, which has [redacted] marketing and [redacted] tie-up with Japan's Fuji Photo, [redacted] to set up [redacted] laboratories and expand capacity [redacted] its plant north [redacted] Bombay. [redacted] planned to build an export-oriented unit.

Daiei forges import buying link with trader

By William Dawkins in Tokyo

Daiei, Japan's largest supermarket chain, has formed an import buying partnership with Marubeni, a [illegible]eral trading company, the first tie-up [illegible] a leading Japanese trader [illegible] retailer.

Marubeni is to help Daiei, a pioneer in Japan's embryonic discount shopping industry, obtain access to [illegible] foreign goods such [illegible] and sports [illegible] in [illegible].

[illegible] Daiei's chairman, [illegible] make use [illegible] the yen's strength [illegible] on discounts to customers.

Daiei [illegible] a similar alliance [illegible] develop cheap [illegible] with a Japanese maker of beauty goods.

The Marubeni accord, [illegible] take effect from April, [illegible] expected to lead to [illegible] more than [illegible] in Marubeni's [illegible] to [illegible] Y100bn [illegible] in the next [illegible] representing [illegible] per cent of Daiei's estimated [illegible] year. Food will [illegible] large part [illegible] the [illegible], including chicken [illegible] China, Brazilian [illegible] and [illegible] fish.

This is part of Daiei's continuing efforts to bypass Japan's multilayered distribu[illegible] system. The [illegible] imposed by many [illegible] middlemen contribute to the [illegible] that Japan's [illegible] prices [illegible] roughly twice US levels.

A representative basket [illegible] 30 [illegible] equivalent [illegible] $138 in Japan and [illegible] in the [illegible] at 1992 exchange rates, according to Daiei's estimates.

However, previous Daiei alliances have [illegible] lacked [illegible], warned Mr Dean Perry, retail analyst [illegible] Lehman [illegible] in Tokyo.

Last month, Daiei announced [illegible] "broad-ranging" tie-up with Ajinomoto, Japan's largest food [illegible], to gain [illegible] domes[illegible] foreign [illegible].

● [illegible] earnings for the [illegible] months [illegible] August [illegible] leading Japanese supermarkets [illegible]. At [illegible] halfway [illegible] with [illegible] Japanese stores, such [illegible] Ito-Yokado, and [illegible] all suffered declines in profits, and they were pessimistic on prospects for [illegible] full year.

Daiei [illegible] parent pre-tax profit fell [illegible] per cent in the [illegible] half [illegible] year, [illegible] rise in operating [illegible] outpaced [illegible] pick-up.

Consumers' champion in the Japanese high street

William Dawkins examines the innovative approach of the leading supermarket chain's founder

I[illegible] Nakauchi, a blunt talking baseball fan and former street trader, is doing [illegible] than almost anybody in Japan [illegible] change people's daily lives.

[illegible] is doing so partly as [illegible] Prime Minister Morihiro [illegible] top private [illegible] advisers on the government's campaign to [illegible] retail and distribution regulations, [illegible] economy, and [illegible] off threatened [illegible].

But Mr Nakauchi, 71, [illegible] known [illegible] millions of Japanese consumers through the profound changes in high street shopping he has pioneered as founder of Daiei, Japan's only [illegible] supermarket chain.

Mr Nakauchi predicts the prices of most goods sold in his supermarkets will halve, [illegible] in [illegible] terms, but [illegible] will [illegible] almost 20 years. Japan's retail market [illegible] already [illegible] enough [illegible] deregulation [illegible] gain [illegible] own momentum, pushed by foreign competition, he [illegible].

Daiei, which [illegible] in 1957, [illegible] campaign against [illegible] middlemen, suppliers and [illegible] bureaucracy, to nib[illegible] Japan's notoriously high prices [illegible] introduce new [illegible] of shopping.

[illegible] innovations include Japan's [illegible] own-brands in [illegible] wholesale warehouse club [illegible] opened in Kobe 18 months ago. While Daiei [illegible] not [illegible] discounter in today's price battles in Japanese retailing, it led the first rounds [illegible].

[illegible] acquisition [illegible] of three regional supermarket chains has speeded up the rationalisation [illegible] industry, eroding [illegible] dominance [illegible] the small [illegible] store which forms a picturesque [illegible] overpriced staple of urban community life.

Like [illegible] shops, Mr Nakau[illegible] personal style challenges the run of [illegible] mill. The corri[illegible] his [illegible] ple, [illegible] lined with [illegible] historic [illegible] registers, instead [illegible] badly hung [illegible] masterpieces usually found in Tokyo corporate headquarters.

The difference in style [illegible] in conviction. Unlike [illegible] of his [illegible] in [illegible] Keidanren business federation, [illegible] defending [illegible] big industrial producers, Mr Nakauchi made his fortune by pursuing [illegible].

[illegible] got his first job after [illegible] war in [illegible] chemist shop, [illegible] founded [illegible] first small shop of his own out[illegible] a railway [illegible] Osaka, [illegible] joining [illegible] bottom rung of the salaryman's corporate ladder, [illegible] usual [illegible] the top.

[illegible] befriended Mr Hosokawa [illegible] bought

Isao Nakauchi: personal style challenges run of the mill

melons and grapes from Kumamoto prefecture during the future prime minister's period as [illegible] there from 1983 to [illegible].

Daiei's patronage was a valu[illegible] boon to Kumamoto, since the nearly 10,000 stores [illegible] owns or [illegible] under its own and other names take [illegible] per cent to [illegible] per cent national market share in most products.

[illegible] turnover of just over Y2,000bn ($19bn) in the year to [illegible] February, [illegible] profit, [illegible] it slightly larger than Sainsbury, [illegible] ket chain.

This might explain why the equally straight talking Mr Hosokawa turned to Mr Nakauchi for [illegible] on deregulation in [illegible] retailing industry.

Mr Nakauchi's report pointed [illegible] Japan's [illegible] stores would [illegible] nearly Y52bn annually [illegible] the [illegible]ment scrapped [illegible] 42 permits required [illegible]. Why, [illegible] Mr [illegible] report, [illegible] to [illegible] separate permits [illegible] meat, [illegible] and [illegible] ice [illegible] operate [illegible] dry cleaning service and yet another to sell thermometers.

[illegible] shopkeepers have staunchly opposed deregulation [illegible] of [illegible] provided them with valuable protection from competition.

Until recently, they were [illegible] by their [illegible] with the Liberal Democratic Party, which [illegible] Japan [illegible] an unbro[illegible] 38 [illegible] until [illegible] defeat [illegible] July.

The break-up [illegible] LDP [illegible] one [illegible] lighten small [illegible] former political clout. Another, [illegible] Mr Nakauchi, is the [illegible] of the current [illegible]eration of shopkeepers. [illegible] both [illegible] in Daiei, ambitious [illegible] people now [illegible] no future in joining [illegible] parents' [illegible].

All [illegible] points to dramatic [illegible] in [illegible] street. Mr Nakauchi believes half [illegible] Japan's 1.5m shops will [illegible] out of [illegible].

[illegible] will, in [illegible] ory [illegible] gradual change, be [illegible] until [illegible] middle [illegible] century. [illegible] it will be inevitable, [illegible] Nakauchi. [illegible] Japan's retailing industry can sustain twice as many shops per head – 12 for every 1,000 people – as the US.

Neighbourhood retailers will [illegible] broadly [illegible] into super[illegible] and [illegible] stores, "so long [illegible] they [illegible] really convenient," he [illegible]. [illegible] itself neatly captures [illegible] Mr Nakauchi's [illegible] of retailing, with [illegible] Daiei supermarkets and nearly [illegible] convenience [illegible].

He [illegible] suggestions that the [illegible] closing [illegible] will [illegible] a backlash. The process will take such a long time, perhaps [illegible] years, the lost jobs will [illegible] mopped up by [illegible] and lei[illegible], Mr Nakauchi predicts.

Again, the [illegible] own business deliberately reflects this, with its investments in hotels, consumer finance and [illegible] stadium, [illegible] Mr Nakauchi's [illegible], the Fukuoka [illegible].

Contrary [illegible] some other businessmen's [illegible] dabble in field sports, Daiei's baseball projects [illegible] turning a healthy profit, despite [illegible] and the Hawks [illegible] performance in [illegible] professional leagues.

Mr [illegible] has no plans [illegible] export the [illegible]. His thoughts [illegible] more of learning from foreign [illegible]. He [illegible] models Kmart of [illegible] US and Britain's [illegible] and Spencer, because [illegible] their [illegible].

[illegible] laughs when [illegible] reminded that Baroness Thatcher, [illegible] former UK prime minister, [illegible] Marks and Spencer's customers. Does Mr [illegible] shop [illegible] Daiei? "I don't know, but I certainly hope so," [illegible] Mr [illegible].

Placer commissions study on gold mine property

By Bernard Simon in Toronto

Placer Dome, [illegible] gold producer, expects [illegible] within [illegible] with construction [illegible] a gold [illegible] on the rich Las [illegible] deposit in north-east Vene[illegible].

The Vancouver-based com[illegible] said yesterday [illegible] had approved a [illegible] study [illegible] the property which, according [illegible] initial studies, [illegible] 7.7m ounces [illegible] gold.

Placer's [illegible] per [illegible] Las Cristinas [illegible] equal [illegible] per [illegible] reserves [illegible] its 17 operating [illegible] in North [illegible] South America [illegible] Australasia.

[illegible] reported [illegible] slight drop in [illegible] earnings, [illegible] per cent jump in fourth-quarter income. The [illegible] largely [illegible] gains [illegible] sale [illegible] and favourable tax adjustments.

[illegible] year were US$107m, or 45 cents a share, [illegible] $111m, or 47 cents a share, in 1992. Sales [illegible] to $917m [illegible].

[illegible] share of [illegible] output [illegible] down [illegible] ounces. Average cash production [illegible] to $184 from $189 [illegible] ounce.

Quaker Oats sees strong second half

Quaker Oats, [illegible] group, predicted [illegible] its second-half earnings per share would be "up strongly" on good volume growth in [illegible], AP-DJ reports.

"[illegible] expect [illegible] in the US [illegible] improving, [illegible] per cent [illegible] the [illegible], while [illegible] international [illegible] will be [illegible]," said Mr Philip Marineau, [illegible] and chief operating officer.

Mr Marineau [illegible], despite disappointing fiscal first-quarter earnings, the [illegible] was on track to "[illegible] our [illegible] of 7 per cent [illegible] growth [illegible] fiscal [illegible]".

Finmeccanica in talks on McDonnell Douglas link

Finmeccanica, [illegible] Italian [illegible] engineering [illegible], [illegible] considering possible shareholding links [illegible] Douglas, the US aerospace group, according to Italian newspapers, [illegible] reports from Rome.

A spokesman for Finmeccanica's parent Istituto per la Ricostruzione Industriale declined detailed comment on [illegible] report in La Repubblica that the Italian group was planning to buy a stake [illegible] up to 20 per cent in [illegible] US group.

[illegible] confirmed that talks were [illegible] held [illegible] had been no [illegible] on [illegible] possible holding.

[illegible] IRI spokesman added [illegible] meeting [illegible] go-ahead [illegible] with McDonnell Douglas, but [illegible] to [illegible] the negotiations.

Earlier [illegible] month, Flight International magazine reported [illegible] considering buying a 10-20 per cent stake in the US group's Douglas [illegible] subsidiary.

[illegible] week agreed to buy [illegible] and aerospace [illegible] by [illegible], Italy's [illegible] group which collapsed [illegible] 1992. [illegible] which [illegible] medium-range [illegible]muter jets.

Merrill Lynch to trade in gilts

By Sara Webb

Merrill Lynch, the US Securities house which pulled out of dealing in UK government bonds (gilts) in 1989 after incurring heavy losses, said yesterday that it had won approval from the Bank of England to start dealing in gilts again with effect from February 28.

Merrill was one of several foreign houses to pull out of the gilt market in the late-1980s, a time when the various gilt-edged market makers – known as Gemms – faced tough competition in an over-crowded market.

Merrill had incurred accumulated losses of more than £20m ($29.2m) by 1989, following the Big Bang reorganisation of the gilt market in 1986.

However, [illegible] in the gilt market have improved dramatically [illegible] the [illegible] in [illegible] the UK government started to borrow again in [illegible] gilt market, issuing large, liquid [illegible] issues, and inflation [illegible] brought under control again, allowing interest [illegible] to [illegible].

Combined operating profits for the Gemms have risen and reached bumper levels in 1992 and 1993, according to figures compiled by [illegible] Bank [illegible]. While the [illegible] made a total operating loss of [illegible] between [illegible] 1986 and the end of 1988, combined profits [illegible] £84m in [illegible] and were [illegible] last [illegible].

The [illegible] trading environment has encouraged speculation that other houses [illegible] be considering applying [illegible] Gemm [illegible]. [illegible] recently hired Mr [illegible] Anthony, a gilt analyst [illegible] UBS, [illegible] to speculation that it would seek permission to set up as a Gemm. Other houses frequently rumoured to be considering [illegible] status include Chemical Bank, Société Générale, and [illegible] Stanley. After Big Bang, 12 [illegible] pulled [illegible] of [illegible] either because the business was no longer [illegible] or [illegible] they were taken over by another house.

INTERNATIONAL CAPITAL MARKETS

Germany leads continued slide in European prices

By Conner Middelmann

In the wake of Friday's slide, Europe's bond markets continued to tumble yesterday, led by heavy selling in the German government bond market.

Although US markets were closed for a holiday, traders reported continued selling by US hedge funds, albeit at a less frantic pace than last week.

Bond [illegible] today will keenly await [illegible] Federal Reserve chairman Alan Greenspan's Humphrey-Hawkins testimony, weighing his words for hints of further tightening.

"Everyone is petrified of another tightening," said Graham McDevitt, bond strategist with market analysts IDEA.

The slide in European bonds began earlier this month when the Fed surprised markets with a small rise in rates and bonds have not regained their poise in spite of last week's round of European rate cuts.

While many observers agree that most European bond markets are now heavily oversold, investors remain side-lined, awaiting buying opportunities at even lower levels.

"Markets are so volatile, it would be prudent [illegible] in," said Mr Richard Woodworth, head of economic and bond [illegible] at Merrill Lynch. "I would not recommend testing [illegible] at this time."

However, [illegible] the market recovery, when it comes, could be so fast that buyers might miss the boat.

"When the market does turn around, it'll [illegible] an extremely powerful rebound," said Mr Karl Haeling, head of [illegible] futures [illegible] options [illegible].

GOVERNMENT BONDS

■ After weakening steadily throughout the morning, bunds were were [illegible] sharply lower in the afternoon when Germany's engineering [illegible] IG [illegible] called a strike vote from March 1-3 in the northern state of Lower Saxony. If approved, a strike could begin on March 7, and could spread to other parts of northern Germany, the union warned.

Fears of another bad M3 money supply number also put pressure on bunds, with talk of a January [illegible] of between 7 and 10 per cent – well above the Bundesbank's target range – rattling the market. German January M3 and February inflation data should [illegible] this week.

"We are having a bear panic – there are still a lot of sellers with long positions left from last year's rally, and I see no one who is willing to buy," said a senior futures dealer in Frankfurt. "It's purely psychological and has very little to do with fundamentals," he added.

The March bund futures contract closed at 97.43, down 0.69 points on the day but off its 97.21 intra-day low.

■ French government bonds also fell sharply, dragged lower by bunds but also pressured by disappointment that the Bank of France left interest rates unchanged at its latest repo operation. Traders now are pinning their hopes on Thursday's repo, which is also the day the French central bank's policy-making council meets. But given that the Bundesbank left [illegible] key [illegible] unchanged last week, some say there is little chance of a French [illegible] cut.

The March notional bond futures contract on MATIF fell 0.64 points to 127.52.

■ Gilts followed the rest of Europe lower, with the long gilt future dropping by 1$\frac{3}{32}$ points to 114¾, up from its low of 114.

Despite widespread nervousness, [illegible] participants appeared confident [illegible] of 7 per cent gilts [illegible] will [illegible] relatively smoothly. "Its saving grace is that it's only £2.5bn and it's partly-paid," said Mr John Shepperd, chief economist at Yamaichi International.

See Lex

Oman fund to invest in Muscat exchange

By James Whittington in Amman

The foreign investment drive into emerging [illegible] markets has begun to focus on the oil-rich [illegible] of the Gulf with the launch next month of a [illegible] Oman fund which will invest in the Muscat stock market.

The Oryx Fund will be jointly managed by London-based Blakeney Management and the Oman National Insurance Company in Muscat.

The fund will be registered in Oman and stock market listings are being sought in both London and Muscat.

Initially, [illegible] per cent of the capital will be raised in Oman and the balance internationally – in line with Omani foreign investment law.

Al Ahlia Portfolio Company in [illegible] will manage the Omani [illegible] and Baring [illegible] the foreign portion.

The fund will [illegible] to the Muscat [illegible] as the only fund with foreign shareholders, for a minimum of six months.

"The fund will be the first vehicle for non-Arab investors to enter any of the Gulf stock markets," says Mr Miles Morland of Blakeney Consultants.

Of the six member states of the Gulf Co-operation Council, only Oman and, to a limited extent, Bahrain permit foreign investors to participate in local equity trading.

Other Arab bourses allowing non-Arab participants are Morocco, Tunisia, Jordan and nominally Egypt.

Mr Morland said that the Oryx Fund will eventually expand to include other emerging markets in the Arab world.

Last year the Muscat stock exchange had a turnover of around [illegible]. It has 82 listed stocks and is capitalised at around $1.5bn.

This [illegible] with a capitalisation of [illegible] for the United Arab Emirates stock market and $50bn for Saudi Arabia, both of which are closed to foreign investors.

Oman is going through a period of rapid economic change. The government is diversifying the economy away from its oil [illegible] and promoting non-oil commercial activities.

A widespread programme of privatisation of state holdings and an opening-up of the economy to [illegible] investment [illegible] to [illegible] private sector activities.

Oman's trading links with Iran and good political relations with other neighbouring countries, including Iraq, place Muscat in an [illegible] position for rapid growth.

"It is a classic emerging market story," says Mr Morland.

Brazil sees more foreign investment

Foreigners [illegible] a net $5.47bn in Brazilian capital markets in [illegible], [illegible] five [illegible] the inward flow in [illegible], Reuter reports from Sao Paulo.

The [illegible] and Exchange Commission (CVM) [illegible] inflows under the Annex IV rules, which [illegible] foreign [illegible] in capital markets, [illegible] while outflows were $9.12bn. Brazilian markets [illegible] a net $1.21bn from abroad in [illegible].

The CVM said foreigners [illegible] a net $1.008bn in January, almost [illegible] times the amount in same month last year.

Of these funds, 82 per cent were invested in stocks, 16 per cent in debentures, 1.4 per cent in privatisation paper and 0.16 per cent in fixed-income funds.

Chase [illegible] Bank managed the largest foreign portfolio through Annex IV with a total $3.53bn, followed by Banco Garantia, Citibank, Banco de Boston and Banco Pactual, the commission said.

Borrowers play safe with floating-rate note issues

By Antonia Sharpe

Most of yesterday's supply of new issues in the Eurobond market came in the defensive form of floating-rate [illegible] (FRNs) as the persistent weakness in government bond markets [illegible] [illegible] and underwriters alike from committing themselves to fixed-rate offerings.

Officials at the Asian Development Bank were said to be anxiously waiting for a stabilisation in the markets so they could launch their first offering of global bonds. The market had expected the proposed $750m transaction, which will be jointly led by IBJ International and Salomon Brothers, to surface tomorrow but now believes it will not appear until later in the week. The African Development [illegible] is [illegible] likely [illegible] tap the Eurodollar sector for around $500m when market conditions improve.

INTERNATIONAL BONDS

Among yesterday's [illegible], UCB Group, a subsidiary of [illegible] Bancaire [illegible] France, raised £500m through an offering of mortgage-backed FRNs through a special-purpose vehicle called Leo 2. UCB performed a similar securitisation last year. Lead manager JP Morgan said the deal was the largest [illegible] of sterling-denominated mortgage-backed [illegible].

JP Morgan said [illegible] sold out quickly as [illegible] [illegible] by their relatively high yields. The [illegible] counted margin on [illegible] with an [illegible] life of 1.4 years [illegible] basis points [illegible] the London interbank [illegible] rate while the discounted margin on the notes with an average life of 5.1 years is 30 basis points over Libor.

Woolwich Building Society also tapped the Eurosterling sector with a £200m offering of five-year FRNs which yielded 15 [illegible] points [illegible] Libor. Lead manager UBS said the offering injected fresh liquidity into the sterling FRN [illegible] where issuers had called more than £1bn worth of paper since the new year.

Elsewhere, Toyota Motor Credit Corp, whose triple-A rating was affirmed by Standard & Poor's earlier this month, raised SFr150m through an offering of six-year FRNs. Lead manager SBC said the offering, Toyota's first public transaction in the Swiss bond market, was targeted at retail investors interested in intermediate maturities.

The notes, which carry a first coupon of 4 per cent and then Libor minus 20 basis points thereafter, had an issue price of 100% and were quoted at minus [illegible] point in the afternoon, within fees of ¼ point.

● The Kingdom of Sweden has appointed a permanent dealer group to its $10bn debt issuance programme. They are Goldman Sachs, Merrill Lynch and Morgan Stanley, the arranger of the programme.

● The Sydney Futures Exchange is planning to list flexible options, a derivatives product introduced by the Chicago Board Options Exchange last year, Reuter reports.

The flexible option was the industry's most successful product launched in 1993 and has [illegible] widely [illegible] derivatives participants as complementary to [illegible] growing over-the-counter markets, the SFE said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
STERLING							
Leo 2, [illegible]	187	(a)	99.96R	Apr.2032	0.10R	-	JP Morgan Securities
Leo 2, Tranche A(a)(b)	313	(a)	99.78R	Apr.2032	0.20R	-	JP Morgan Securities
[illegible] Building [illegible]	200	[illegible]	[illegible]	[illegible]	[illegible]	-	UBS
GUILDERS							
Koninklijke Nedlloyd Group(c)§	[illegible]	[illegible]	[illegible]	Mar.2001	[illegible]		ABN Amro/ Goldman Sachs
AUSTRALIAN DOLLARS							
[illegible]	100	6.625	[illegible]	[illegible]	0.25R		[illegible]
SWISS FRANCS							
Toyota Motor Credit Corp	150	[illegible]	[illegible]	[illegible]			Swiss Bank Corp

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. §Convertible. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Mortgage backed deal. Short 1st coupon. Class B subordinated notes privately placed. b) Callable on any coupon date from 1/10/97 at par. Average life 1.41 yrs. a) 3-mth Libor +0.15% to 1/10/97 and +0.3% thereafter. c) Callable on any coupon date from 1/1/00 at par. Average life 5.15 yrs. [illegible] 3-mth Libor +[illegible] to 1/1/00 and +[illegible] thereafter. [illegible] 3-mth Libor +[illegible]. d) Conv premium indicated at 15-20%. Callable from 16/3/97. [illegible] 4% 1st for 1st 6 mths and 6-mth Libor -0.2% thereafter.

Indosat plans US or UK float

PT Indosat, Indonesia's international telecommunications [illegible] company, [illegible] a flotation of its shares in London or New York, Reuter reports from Jakarta.

This will be the the first state company to make such a move, according to finance minister, Mar'ie Muhammad.

He said [illegible] Indosat would be listed in Jakarta but most of the shares would [illegible] offered [illegible].

No date [illegible] given for the [illegible] "Indosat ... will [illegible] given [illegible] first opportunity to [illegible] international," [illegible].

[illegible] companies likely [illegible] overseas include Garuda Indonesia, the national airline, and PT Telecom, the domestic telecommunications company.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	[illegible] ago	[illegible] ago
Australia		[illegible]	08/04	117.6900	-0.910	6.72	6.31	6.30
Belgium		7.250	[illegible]	102.2500	[illegible]	6.93	6.63	6.60
Canada *		6.500	[illegible]	96.8000	-1.250	[illegible]	[illegible]	6.40
Denmark		7.000	12/04	[illegible]	[illegible]	[illegible]	6.21	[illegible]
France	STAN	8.000	05/98	109.2300	[illegible]	[illegible]	5.35	5.12
	OAT	5.500	04/04	[illegible]	[illegible]	6.09	[illegible]	[illegible]
Germany		6.000	[illegible]	99.6500	-0.480	[illegible]	5.80	[illegible]
Italy		8.500	01/04	99.0630	-0.057	[illegible]	[illegible]	[illegible]
Japan	No 119	[illegible]	06/99	108.2700	[illegible]	[illegible]	3.04	2.86
	No 157	[illegible]	[illegible]	105.6900	[illegible]	[illegible]	[illegible]	3.33
Netherlands		5.750	[illegible]	96.0000	[illegible]	[illegible]	[illegible]	[illegible]
Spain		10.500	10/03	[illegible]	-1.850	8.47	7.95	7.87
UK Gilts		6.000	08/99	99-21	-12/32	[illegible]	[illegible]	[illegible]
		6.750	11/04	[illegible]	[illegible]	6.80	6.58	6.10
		9.000	10/08	117-23	[illegible]	[illegible]	6.86	[illegible]
US Treasury		5.875	02/04	-	-	[illegible]	5.94	5.69
		[illegible]	08/23	-	-	[illegible]	6.42	[illegible]
[illegible]		6.000	[illegible]	[illegible]	[illegible]	6.39	[illegible]	[illegible]

[illegible] closing, *New York mid-day. [illegible] Local market standard. [illegible] yield (including withholding tax at [illegible] per cent payable by [illegible]) [illegible] UK in 32nds, [illegible] in [illegible] [illegible] MMS International

US INTEREST RATES

4pm (Feb 18)

		Treasury Bills and Bond Yields			
Prime rate	6	One month	3.17	Three year	[illegible]
Broker loan rate	5	Two month	3.24	Five year	[illegible]
Fed.funds	3¼	Three month	3.36	10-year	[illegible]
Fed.funds at intervention	-	Six month	3.59	30-year	[illegible]
		One year	3.81		
		Two year	4.04		

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	[illegible]	[illegible]	High	[illegible]	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]	[illegible]	127.10	8,840	27,682
Sep	126.56	126.36	-0.62	126.70	[illegible]	1,405	[illegible]

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS [illegible]
[illegible]	0.88	1.30	1.92	[illegible]	1.19	[illegible]
[illegible]	0.12	0.85	-	[illegible]	[illegible]	-
[illegible]	0.03	0.52	-	[illegible]	[illegible]	-
[illegible]	0.01	0.28	-	2.47	-	-
131	0.01	0.15	-	3.46	3.96	-

Est. vol. total, Calls 24,570 Puts 51,157. Previous day's open int., Calls 344,700 Puts 347,080.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	[illegible]	Est. vol	Open int.
Mar	97.83	97.38	[illegible]	[illegible]	[illegible]	208418	[illegible]
Jun	97.72	97.24	-0.63	97.83	97.09	11449	18993
[illegible]			0			0	0

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
9700	0.38	1.14	0	0.90
9750	0	0.89	0.12	1.15
9800	0	0.68	0.62	1.44

Est. vol. total, Calls 22143 Puts 41706. Previous day's open int., Calls [illegible] Puts 227429

■ NOTIONAL MEDIUM TERM GERMAN GOVT. BOND (BOBL)(LIFFE)* DM250,000 100ths of 100%

	Open	[illegible]	[illegible]	High	Low	Est. vol	Open int.
Mar	101.78	[illegible]	[illegible]	[illegible]	101.52	[illegible]	9631
Jun	-	[illegible]	-0.44	-	-	[illegible]	100

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	[illegible]	Change	High	Low	Est. [illegible]	Open int.
Mar	114.90	114.55	-0.80	116.46	114.35	56032	81368
Jun	[illegible]	114.58	-0.81	[illegible]	[illegible]	3922	[illegible]
Sep	-	114.69	-	-	-	[illegible]	0

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11450	2.16	3.00	2.08	[illegible]
11500	1.92	2.75	2.34	3.07
11550	1.69	2.53	2.61	3.34

Est. vol. total, Calls 9664 Puts 1532. Previous day's open int., Calls 12447 Puts 12254

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	[illegible]	Sett price	[illegible]	High	[illegible]	Est. vol.	[illegible] int.
Mar	104.10	102.93	-1.38	[illegible]	[illegible]	[illegible]	[illegible]
Jun	[illegible]	102.65	[illegible]	103.66	[illegible]	[illegible]	[illegible]

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	[illegible]	[illegible]	[illegible]	High	Low	Est. vol	Open int.
[illegible]	[illegible]	114-11	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	114-05	113-18	-1-07	114-17	113-11	17212	[illegible]

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike [illegible]	CALLS Mar	CALLS Jun	PUTS Mar	PUTS Jun
114	0-22	1-38	0	2-02
115	0	1-12	0-42	2-40
[illegible]	0	0-55	1-42	[illegible]

[illegible] total, Calls 2832 Puts 9918. Previous day's open int., Calls 130166 Puts 77930

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	[illegible]	[illegible]	High	[illegible]	Est. vol.	Open int.
Mar	[illegible]	[illegible]	[illegible]	110.12	[illegible]	[illegible]	[illegible]
[illegible]	-	93.96	-0.89	-	-	-	203

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100% (Feb 18)

	Open	Sett price	[illegible]	High	Low	Est. vol.	Open int.
Mar	113-16	112-21	-0-28	113-27	112-07	696,592	299,092
Jun	112-16	111-20	-0-28	112-24	111-05	26,827	42,952
Sep	111-19	110-23	[illegible]	111-27	110-11	[illegible]	[illegible]

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	[illegible]	Change	High	Low	Est. vol	Open int.
Mar	113.50	-	-	113.53	[illegible]	526	0
Jun	112.25	-	-	112.25	111.88	2096	[illegible]

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Mon Feb 21	Day's change %	Fri Feb [illegible]	[illegible] interest	xd adj. ytd
1 Up to [illegible] (25)	127.86	-0.19	128.94	1.35	2.07
2 5-15 years (24)	[illegible]	-0.82	157.85	1.76	[illegible]
3 Over 15 years (8)	178.30	-1.31	180.67	0.20	3.53
[illegible] Irredeemables (6)	215.81	-0.98	[illegible]	3.32	0.00
[illegible] All stocks (63)	151.85	-0.72	153.24	[illegible]	2.55
Index-linked					
[illegible] Up to 5 years (2)	189.36	-0.11	189.56	0.55	1.41
7 Over 5 years (11)	185.42	-0.89	187.10	0.69	0.79
8 All stocks (13)	184.92	-0.81	186.43	0.67	0.85
Debentures and Loans					
9 [illegible] & Loans (68)	151.87	-0.87	153.20	2.37	1.66

Yields	Low coupon yield Feb 21	Feb 18	Yr. ago	Medium coupon yield Feb 21	Feb [illegible]	Yr. ago	High coupon yield Feb 21	Feb [illegible]	Yr. ago
5 yrs	6.08	5.92	[illegible]	6.28	[illegible]	6.66	[illegible]	[illegible]	7.05
[illegible] yrs	6.85	[illegible]	[illegible]	7.03	6.89	8.31	[illegible]	7.07	8.57
20 yrs	6.97	[illegible]	8.11	7.03	[illegible]	[illegible]	7.22	7.09	8.65
Irred.†	7.02	[illegible]	[illegible]						

	Inflation 5% Feb 21	Feb [illegible]	Yr. ago	[illegible] 10% Feb 21	Feb [illegible]	Yr. ago
Up to 5 yrs	2.22	[illegible]	2.01	1.29	1.24	[illegible]
Over 5 yrs	3.15	[illegible]	[illegible]	2.95	[illegible]	[illegible]

	5 year yield Feb 21	Feb [illegible]	Yr. ago	15 year yield Feb 21	Feb 18	Yr. ago	25 year yield Feb 21	Feb [illegible]	Yr. ago
Debentures and Loans	[illegible]	[illegible]	8.61	7.97	7.86	[illegible]	[illegible]	7.93	9.63

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: [illegible] and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Feb 21	Feb [illegible]	Feb [illegible]	Feb [illegible]	Feb [illegible]	Yr ago	High*	Low*
Govt. Secs. (UK)	[illegible]	103.96	[illegible]	104.21	[illegible]	[illegible]	[illegible]	[illegible]
Fixed Interest	127.42	[illegible]	128.33	128.10	[illegible]	112.25	[illegible]	[illegible]

* for 1993/94. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities [illegible] 10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Feb [illegible]	Feb 17	Feb [illegible]	Feb [illegible]	Feb [illegible]
Gilt Edged bargains	95.7	110.2	103.2	99.8	100.5
5-day average	[illegible]	[illegible]	109.4	114.2	[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
Shorts* (Lives up to Five Years)						
Treas 14½pc 1994‡‡	14.50	-	100xd	—	109¼	100
Exch 13½pc 1994	[illegible]	[illegible]	[illegible]	-$\frac{1}{16}$	[illegible]	[illegible]
Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	[illegible]	—	[illegible]	[illegible]
Exch 12½pc 1994	[illegible]	4.92	103¼xd	—	110$\frac{1}{32}$	103¼
Treas 9pc 1994‡‡	8.74	4.95	102$\frac{31}{32}$	—	105$\frac{13}{16}$	102$\frac{13}{16}$
12pc 1995	11.29	4.95	106$\frac{5}{8}$	-$\frac{1}{16}$	111$\frac{1}{8}$	106$\frac{1}{2}$
[illegible]						

Notes	Yield Int	Yield Red	Price £	+ or -	1993/94 High	1993/94 Low
10pc [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	108⅝
Treas 1[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	116⅞
Funding 3½pc '99-4	4.32	6.00	81	-⅜	88$\frac{1}{2}$	67$\frac{15}{16}$
Conversion 9½pc 2004	7.89	6.97	118$\frac{13}{16}$	-1$\frac{1}{16}$	125$\frac{3}{4}$	105⅞
Treas 6¾pc 2004‡‡	6.77	6.78	99¾	-1$\frac{1}{16}$	105$\frac{1}{2}$	97¼
6¾pc 2004 A	6.77	6.79	99¾	-1$\frac{1}{16}$	104⅞	99¾
Conv 9½pc 2005	7.98	6.98	119$\frac{13}{16}$	-1$\frac{1}{16}$	125$\frac{13}{16}$	105⅞
[illegible]						

Index-Linked		(1)	(2)	Price £	+ or -	1993/94 High	1993/94 Low
Treas. 2pc '94	(102.9)	-	-	137¼	—	137¼	131⅝
2pc '96	(67.9)	0.98	2.03	202⅞xd	-⅛	204½	194$\frac{13}{16}$
4⅝pc '98‡‡	(135.6)	1.43	2.15	111$\frac{3}{16}$	-⅛	112⅝	105$\frac{3}{16}$
2½pc '01	(78.3)	[illegible]	2.68	[illegible]	-1	176⅞	159
2½pc '03	(78.8)	[illegible]	2.85	[illegible]	-1	173¾	155
4⅜pc '04‡‡	(135.6)	2.80	[illegible]	114⅛	-⅞	118½	105½
[illegible]							

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are [illegible] latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on February 21

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	95¾	96	-½	6.68
AlbertaProvince [illegible]	800	107⅛	107½	-½	[illegible]
Austria 8½ 00	400	111¾	112	-½	[illegible]
Bank of Tokyo 8⅜ [illegible]	100	[illegible]	[illegible]		[illegible]
Belgium 9⅜ 98	250	114⅛	114⅜	-⅛	5.80
BFCE 7¾ 97	150	105⅝	107¼	-⅛	6.33
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
United Kingdom 7¼ 97	5500	105¼	[illegible]	-¼	[illegible]
Volkswagen Intl Fin 7 03	1000	102½	[illegible]	+⅛	6.65
World Bank 0 15	2000	[illegible]	27⅛	-½	6.20
World Bank 5¾ 98	300	101¾	102		4.84
World Bank 8¾ 00	1250	115⅛	115½	-½	[illegible]
SWISS FRANC STRAIGHTS					
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Alliance Leics 11⅞ 97 £	100	114½	115	-⅛	[illegible]
[illegible] Gas 12¾ 95 £	300	[illegible]	107⅛	-⅛	[illegible]
British Land 8⅞ 23 £	150	100⅛	100⅝	[illegible]	9.06
EIB 10[illegible]	837	110⅝	111	-⅛	[illegible]
Halifax 10⅜ 97 £	100	111⅛	111⅜	-⅛	6.19
Hanson 10⅜ 97 £	500	[illegible]	112¼	-⅛	6.60
HSBC Holdings 11.69 02 £	153	[illegible]	[illegible]	-⅛	7.81
[illegible]					

ROVER AND HONDA: GOING THEIR OWN WAYS

The loss of its Japanese partner does not necessarily present a significant setback for the UK carmaker

Capable of producing from the ground up

By John Griffiths

A critical question [redacted] Rover Group. How will it survive without Honda's technology and expertise in the wake of their failed relationship?

Rover [redacted] 2,000 design, development [redacted] engineering staff. It [redacted] the capability to take a car from first concept on a computer [redacted] production, with no outside help. This capability includes the design, development and production [redacted] engines and gearboxes.

Senior Rover executives insist that this capability has not been utilised to [redacted] full during the period of Rover's 15-year partnership with Honda, for straightforward commercial reasons rather than for any lack of technical ability.

There [redacted] logic, they maintain, in Rover developing wholly separate vehicles or powertrains for market slots that can [redacted] occupied perfectly adequately by shared development models enjoying good economies [redacted] scale.

And Rover's full technical capability will in [redacted] amply demonstrated [redacted] new, as-yet secret, [redacted] already scheduled for production and in which Honda [redacted] played no part, according [redacted] Mr John Towers, Rover's chief executive.

That such core expertise has [redacted] by [redacted] easily overlooked, however, given that [redacted] UK [redacted] being sold [redacted] to [redacted] been so overwhelmingly dependent [redacted] Honda.

Two of Rover's key [redacted] ranges, [redacted] 600 and [redacted] saloons, [redacted] the subject of simple licensing agreements with Honda or [redacted] joint developments, while a key Rover gearbox [redacted] also a Honda design [redacted] under licence. All the [redacted] agreements can be terminated by Honda at three months' notice.

Mr Bernd Pischetsrieder, [redacted] chairman, has indicated that BMW will be [redacted] than willing to place some of [redacted] own [redacted] engineers at Rover's disposal as future new [redacted] plans develop without Honda.

"[redacted] BMW engineers? – I don't [redacted] we'd do with them," said one Rover executive yesterday. "We [redacted] fully capable of seeing through [redacted] new car projects."

[redacted] Rover [redacted] and engineers, many of whom regret the [redacted] of [redacted] as a long-term partner, [redacted] major [redacted] in [redacted] ownership [redacted] in [redacted] financial [redacted] that they expect to [redacted] available.

Currently Rover spends [redacted] £200m a [redacted] development, bringing [redacted] into production and upgrading or maintaining plant [redacted] equipment [redacted] them.

[redacted] is a very [redacted] amount by mainstream [redacted] industry standards, and Mr Pischetsrieder [redacted] that [redacted] would expect [redacted] Rover increase it to [redacted] least 7 per cent of [redacted] of annual sales, [redacted] slightly more than [redacted] a year.

ROVER AND HONDA: THE MAIN LINKS

Type of agreement	Example	[redacted]
Equity holdings	Honda has [redacted] in [redacted] [redacted] in [redacted] (UK)	Honda selling to BMW; BMW selling to Honda
Licensing	[redacted] designs: Rover 200, [redacted]	Can be broken on 3-months notice; Honda to negotiate with BMW
	[redacted] designs: eg [redacted]box for [redacted]	As above
	Honda has supplied production equipment and technology to Rover for eg its 200, 400 and 600 models	Rover able to maintain existing equipment
Component supplies	Rover and Honda each sell the other [redacted] eg – Honda sells to Rover 1.6, 2.0, 2.3 [redacted] 2.7-litre engines; [redacted] – Rover sells body panels to Honda for UK-made Accords	In many cases each party has to supply the other as long as the car model remains in production
	Maintenance of common lists of parts specifications [redacted]	Disintegration of this relationship would quickly cause chaos on production lines
[redacted]	Rover makes Honda Concertos in Birmingham and supplies Land Rover Discoveries for sale as Honda Crossroads in Japan	Model sales likely to continue

[redacted] would give [redacted] ability [redacted] bring [redacted] variants [redacted] have [redacted] beyond [redacted] grasp.

"All [redacted] finance, and [redacted] have [redacted] prioritise [redacted] actually built," [redacted] yesterday.

Rover's design, research, development, and engineering facilities are more extensive [redacted].

They [redacted] concentrated [redacted] Canley, near Birmingham, [redacted] a vast, [redacted] complex including [redacted] of [redacted] Gaydon in [redacted].

The Gaydon facility, [redacted] rently employing 900 engineers [redacted] subject [redacted] a £100m-plus [redacted] building [redacted], includes: climatic [redacted] nels, prototype [redacted] centre, structural analysis facilities, electro-magnetic compatibility centre to test car computer and wiring systems, component [redacted] laboratories, noise, vibration [redacted] analysis centre, engine [redacted] (sound-free) chambers.

[redacted] within [redacted] the capability to develop engines from scratch. [redacted] Rover's state-of-the-art K [redacted] engine was [redacted] oped [redacted] which [redacted] turn [redacted] being developed [redacted] a small-capacity four cylinder unit into a full range of engines, including a V6, capable of powering almost any vehicle Rover might make in the future.

Commercial logic once again dictates, however, that BMW and other manufacturers' units are used instead in some applications, such as diesels, where they can be simply taken "off the shelf". Peugeot diesels, for example, are used in Rover 200, 400 and Metro ranges.

The Canley centre is occupied by [redacted] 1,000 designers [redacted] engineers, [redacted] vehicles [redacted] styled from scratch, and [redacted] database of [redacted] and [redacted] off which Rover's [redacted] component suppliers' project engineers [redacted] work.

However, one [redacted] valuable [redacted] gained from [redacted] long relationship [redacted] been [redacted] down old barriers [redacted] various development departments [redacted] simultaneous engineering [redacted] bring products [redacted] more quickly [redacted] many fewer [redacted] in [redacted] build-up to production.

[redacted] has changed [redacted] methodology radically, [redacted] that [redacted] projects [redacted] Canley, [redacted] plant where they [redacted] to [redacted].

For [redacted], for example, a project [redacted] appointed [redacted] Cowley manufacturing plant. He appointed a [redacted] they "lived" within just [redacted] room [redacted] took shape. Gaydon [redacted] Canley personnel simply became part of [redacted] project [redacted].

It [redacted] this Honda-taught approach to development, [redacted] and quality which [redacted] Rover [redacted] Discovery four-wheel-drive [redacted] production [redacted] a record-breaking [redacted] where, [redacted] acknowledge, Rover's greatest [redacted].

Understandably perhaps, Honda is [redacted] all [redacted] on a plate.

Government comes under pressure to intervene

By Roland Rudd

The government was yesterday under pressure from some of its own backbenchers [redacted] encourage Honda [redacted] continue its collaboration with Rover.

Angry [redacted] for intervention [redacted] Tory MPs are likely to [redacted] ministers, who only a few weeks ago were privately expressing relief that [redacted] sale [redacted] BMW had [redacted] caused a political [redacted].

Sir Teddy Taylor, (Southend [redacted]), said: "Honda [redacted] treated [redacted] fully. A minister should now [redacted] a public [redacted] saying [redacted] government regrets the [redacted] of Rover to BMW has been handled to [redacted] the problem."

Another senior backbencher [redacted] the Department of Trade and Industry "should start batting for [redacted]" by encouraging the [redacted] to guarantee a long-term working relationship with [redacted].

However, Downing Street dismissed calls for [redacted] arguing that it was not a matter for the prime [redacted].

It [redacted] clear [redacted] Mr John Major hopes that co-operation will continue between Honda and Rover, but does not share the "apocalyptic vision" of those who fear a speedy end to the relationship.

However, Mr Simon Coombs, (Swindon) warned [redacted] a decision by Honda to sever all its links with Rover could prove very damaging.

Although Honda stressed that the 2,000 jobs at its plant in Swindon would not be affected by its decision to sell its 20 per cent Rover stake, Mr Coombs said an end to joint contracts would affect many of his constituents reliant on Honda.

He has already asked Mr Tim Sainsbury, industry minister, to find out why there was no British company interested in buying the country's last car volume manufacturer.

There is deep unease among backbenchers that Honda's decision to sell its stake in Rover could herald the end of the relationship between the two companies.

There is also concern that it could harm Britain's chances of continuing to receive the biggest share of Japanese inward investment in Europe. The UK accounts for 40 per cent of all Japanese European investment, according to government figures.

"We now [redacted] Honda [redacted] deeply [redacted] Sir Teddy. "If its not to have an affect on Japanese inward investment, the government [redacted] a statement".

Mr [redacted], Labour's shadow trade and industry spokesman, called on ministers to live up to their promises [redacted] Rover and its workforce would not suffer from the BMW takeover.

"The danger [redacted] Rover is that customers will [redacted] and the [redacted] will [redacted] uncertainty [redacted] swiftly," [redacted] said.

Few fears over other link-ups

By Tim Burt, Andrew Taylor and Andrew Baxter

[redacted] that the breakdown of Rover's relationship with Honda could harm other Anglo-Japanese joint ventures were played [redacted] yesterday by [redacted] companies to enjoy a cross-shareholding in a Japanese corporation.

Allied-Lyons, the drinks, [redacted] and retailing group, [redacted] it [redacted] expect the Rover affair [redacted] have a significant [redacted] its links with Suntory, Japan's largest whisky distiller and one of the country's biggest private companies.

Since 1989, Allied-Lyons has been able to take advantage of a 1 per cent holding in the privately-owned company to distribute its alcohol products in the fiercely competitive Japanese market.

In turn, Suntory has taken a 4.3 per stake in Allied Lyons – worth about £230m at yesterday's market price.

Under the 40-year joint venture agreement, signed in 1989, the two groups agreed to set up distribution and marketing companies in Japan.

Allied-Lyons [redacted] 51 per cent [redacted] and [redacted] per cent [redacted] marketing company, with Suntory [redacted] the remainder.

The [redacted] Allied-Lyons' products in its home market, while the UK company distributes some Suntory products in [redacted] America.

Such links [redacted] Japanese companies [redacted] ally opted for outright control in the UK, [redacted] starting from greenfield sites. Toyota [redacted] Nissan [redacted] built their own car plants, for example.

These [redacted] vindicated [redacted] the treatment meted out to [redacted] against Japanese [redacted] in the [redacted] unlikely given [redacted] Japanese preference [redacted] local ownership.

Most importantly they regard the UK [redacted] manufacturing [redacted] into European markets. It is unthinkable, therefore, that they might run [redacted] at the [redacted] hint of trouble.

The priority given by Japanese companies [redacted] employee and trading relationships with component suppliers has meant that a lot of time and money [redacted] been [redacted] during the [redacted] to establishing a large [redacted] in the UK.

In fact, the commitment in many [redacted] deepening as Japanese manufacturers have [redacted] beyond seeing the UK simply as a cheap production country and a [redacted] to avoid trade friction when selling [redacted] European Union [redacted].

Komatsu, the [redacted] equipment producer, manufactured hydraulic [redacted] for the European market from its factory in Birtley, near Newcastle.

When [redacted] plant began production in [redacted] it was producing machines to Japanese designs. It now has its own UK design team, making Birtley the first Komatsu [redacted] plant to manufacture non-Japanese designed [redacted].

Yamazaki, [redacted] largest producer of computer controlled machine tools, also began manufacturing in the UK in 1987, supplying European markets. [redacted] products built at [redacted] plant is now being expanded to [redacted] markets instead of just Europe.

An example of "high yen effect" is [redacted] Bearings [redacted] Peterlee, County Durham, which recently [redacted] supplying bearings to [redacted] goods manufacturers in China and Indonesia. [redacted] previously [redacted] supplied by [redacted] parent in Japan.

Japanese property and construction companies, which [redacted] established wholly owned operations in the UK, have [redacted] less well. Companies like Kumagai which bought expensively at the peak of the property market in the [redacted] are now seeking to retreat. But this is for reasons other than a breakdown of relationships with British partners, as in the case of Honda and Rover.

Co-operation on an ad hoc basis

By Paul [redacted], [redacted] Correspondent

Mr John Bacchus, Rover's head [redacted] collaborative strategy, was in Tokyo yesterday seeing the corporate umbrella [redacted] his Honda projects snatched out of his hands. He has been Rover's point of contact with Honda as the two companies worked together over new models and fostered co-operative manufacturing.

Although Rover and Honda exchanged board members, the arrangements for collaboration under that level were loose.

[redacted] had a [redacted] of people who spent all their time collaborating with Honda. The role of Mr Bacchus was to facilitate [redacted] whenever they were [redacted] making about 18 trips to Japan [redacted] end.

[redacted] frequent [redacted] to Tokyo has been Mr Alan Curtis, managing director of product supply at Rover and responsible for bringing new models to market. But neither side ever had a permanent presence in the plants or offices of the other.

At working level the Rover and Honda executives who [redacted] into [redacted] frequently were the [redacted] and engineers. Rover formed teams to undertake projects and tasks. When the work was complete the team would be dissolved, its members moving on to something else.

Practically, the collaboration of the two companies was [redacted] on an ad hoc basis – "as the need arose – [redacted] at every level," a Rover [redacted] yesterday. As an example Rover designers spent [redacted] in Tokyo when they were developing the 600 model.

The changes in Rover's manufacturing [redacted] over the last 15 years have been helped by a running [redacted] of visits to Honda factories, [redacted] learned [redacted] from the Honda plants in the US than they did from those in Japan. "In the US you could see how the Japanese [redacted] adapted to [redacted] structures," Rover explained.

The [redacted] have [redacted] in a growing network of executives across the two companies accustomed to co-operating with each other, which has so far been unaffected by the BMW purchase. "Many friendships will continue regardless," said one Rover executive.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.70	17.97	17.97
0100	16.80	22.06	23.75
0130	16.04	22.06	23.75
0200	16.82	22.06	23.75
0230	16.04	22.06	23.75
0300	16.82	21.44	23.13
0330	16.82	21.44	23.13
0400	16.80	21.44	23.13
0430	16.74	17.97	17.97
0500	16.06	17.82	17.82
0530	16.06	20.78	22.47
0600	[redacted]	20.78	22.47
0630	[redacted]	20.78	22.47
0700	[redacted]	21.01	22.70
0730	[redacted]	[redacted]	24.60
0800	16.90	[redacted]	25.93
0830	19.26	[redacted]	25.93
0900	20.55	[redacted]	25.93
0930	21.43	24.24	25.94
1000	22.26	25.73	27.43
1030	22.86	25.73	27.42
1100	23.67	25.73	27.42
1130	27.36	25.73	27.42
1200	29.80	25.73	27.42
1230	30.14	[redacted]	27.42
1300	27.80	[redacted]	27.42
1330	24.21	[redacted]	27.42
1400	21.61	[redacted]	27.42
1430	16.80	[redacted]	27.42
1500	16.29	[redacted]	25.90
1530	16.01	[redacted]	25.94
1600	16.31	[redacted]	27.36
1630	20.02	29.17	31.19
1700	26.89	46.37	48.06
1730	35.91	[redacted]	64.02
1800	40.63	[redacted]	55.84
1830	32.92	[redacted]	32.59
[redacted]	45.31	[redacted]	28.40
[redacted]	31.70	[redacted]	27.76
[redacted]	21.57	25.81	27.31
[redacted]	19.26	24.82	26.32
[redacted]	18.71	22.97	24.88
[redacted]	18.66	22.97	24.88
[redacted]	18.29	22.97	24.88
[redacted]	16.66	22.97	24.88
[redacted]	16.66	18.00	18.00
[redacted]	16.61	17.81	17.81
[redacted]	16.66	17.81	17.81

[redacted] for every half-hour in each [redacted]. Prices are in pounds per [redacted] to two decimal places. [redacted] and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction ... Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. ... 5.15pm Monday to Friday.

COMPANY NEWS: UK

Near-fourfold advance helped by restructuring and new subsidiaries

Low & Bonar jumps to £32m

By Tim Burt

Low [illegible] Bonar yesterday announced [illegible] near [illegible] increase in profits [illegible] the packaging [illegible] plastics [illegible] reaped the benefits of [illegible] ranging restructuring and contributions from [illegible].

Britain's self-proclaimed market leader in food packaging [illegible] saw pre-tax profits climb from £8.1m to [illegible] in [illegible] months [illegible] 30 last [illegible].

Although the 1992 figures were [illegible] by heavy reorganisation [illegible] North [illegible] and [illegible] of its UK non-wovens business, profits [illegible] a 43 [illegible] improvement.

Mr Jim Leng, chief [illegible]tive, [illegible] the group – which wraps products as [illegible] as soap and silage – was now in a dominant position as man- [illegible] consolidated orders with [illegible] few key suppliers.

"We've got rid of the bits and pieces which were not central and we now want to grow in our main businesses, particularly in North America and Europe," he added.

Of the group's [illegible] packaging [illegible] the sharpest improvement with [illegible] 55.4 per cent [illegible] in profits [illegible] £20m.

The division, representing more than half of group profit, was boosted by contributions of £5.2m from its latest acquisition, [illegible], purchased from [illegible] for £33.5m, and designer CMB [illegible]ton Systems, the packaging equipment company acquired for £17.4m.

The acquisitions – funded by a £50.2m rights issue last April – contributed £36m to group turnover of £368.9m (£307.3m).

Sales of specialist materials improved by 15 [illegible] to £22.8m, with profits ahead 35 per cent at £13m (£9.6m).

The input, however, [illegible] was [illegible] per [illegible] to £52.8m, [illegible] profits [illegible] £4.84m.

Mr Norman McLeod, finance director, said the division had failed to keep pace with the other sectors because of the recession in continental Europe, where profits fell to £2.7m (£3.8m).

"Nevertheless, we still managed to generate £25m in cash during the year and brought gearing down [illegible] per [illegible] from 30 per cent," he added.

Earnings per share rose 31 per cent to 21.77p, compared with 16.58p before exceptionals in 1992. A proposed final dividend of 7.1p lifts the total to 10p, a 10 per cent increase.

● COMMENT

Low & Bonar has begun to make its assets sweat. Having introduced new management and completed disposals in the UK and North America, it has improved productivity sharply and cut borrowing. A five-year contract with Kellogg has also insulated it from the worst effects of supermarket price cuts. With orders stabilising in Europe and only a 25 per cent exposure to the consumer packaging business, profits are expected to exceed £39m this year on a forward earnings multiple of 16. The shares, up 7p [illegible] 407p yesterday, appear inexpensive.

Costs and squeezed margins hit FII

By Peggy Hollinger

FII, [illegible] manufacturer [illegible] supplies [illegible] Spencer, [illegible] a drop [illegible] interim pre-tax profits from [illegible].

[illegible] due [illegible] on margins and [illegible].

The interim dividend [illegible] in November's profits [illegible]. Earnings fell from 15.3p [illegible] 2.5p per [illegible].

[illegible] was 2 per [illegible] higher [illegible] Mr Monty Sumray, chairman, [illegible] was largely [illegible] FII's increased share of the UK footwear [illegible] in that division rose by 8 per cent to £38m in a stagnant market, he [illegible].

[illegible] profits [illegible] the division were affected by a £44,000 exceptional cost of recalling a [illegible] design and rationalisation charges. Profits fell by £1.4m to £1.6m.

The shoe business continued to suffer from tight margins, Mr Sumray said, and there were indications that leather prices [illegible] likely [illegible].

On the brighter side, [illegible] decision by [illegible] European Union to impose quotas on Chinese shoe imports "may help our cause," said Mr Sumray. The science division incurred costs of £650,000 following the cancellation of a development contract and a product recall during the first half. This resulted in a £1.2m pre-tax loss, against a profit of £200,000 last time.

McDonnell poised for market with £250m tag

By Alan Cane

McDonnell Information Services, the Hemel Hempstead [illegible] computing services company, will float on the main market next month through a placing and intermediaries offer [illegible] raise [illegible] £107.4m.

Of the funds raised, £73m will be used to repay borrowings arising out of last year's management buy-out from McDonnell Douglas, the US [illegible] will [illegible] to redeem preference [illegible].

The pathfinder document was published this morning.

Impact day will [illegible] and date for receipt of applications [illegible] 10am on March 17 and dealings will begin on March 24.

The flotation is expected to value the company [illegible] £250m.

The pathfinder shows the [illegible] management buy-out as £121m; the management team – consisting of certain directors and senior employees – [illegible] a total of [illegible] for 15.5 per cent of the company's equity.

Mr Jeremy Causley, chief executive, said this [illegible] he would not be selling his stake in the company.

On February 4 this year the company had cash balances and short-term deposits of £13m, having repaid borrowings of £8.4m, restructuring charges of £5.3m, and [illegible] buy-out.

MDIS generated operating profits of [illegible] in [illegible] revenues of £148.5m, compared with £19.1m on [illegible] the year before.

Revenues [illegible] been shrinking as the company has moved away from [illegible] the more profitable software and services. Operating margins, however, have grown from 10.4 per cent to [illegible] per cent in the past three years.

The flotation will be one of the largest in the information technology sector for [illegible] years. MDIS specialises in open or industry [illegible] systems for niche markets, with growth potential including central and local government, the police and the [illegible] services.

[illegible] it spent £17.6m – or 11.8 per cent of turnover – on research and development.

Odds shorten on Racecourse win

By David Blackwell

[illegible] Holdings Trust, owned by [illegible] Jockey Club, remains [illegible] favourite [illegible] win the race to own Epsom, home of the Derby.

But yesterday Mr Stan Clarke, who has turned [illegible] Uttoxeter [illegible] from losses five years ago, confirmed that he was putting in a private bid, along with Mr Anthony Solomons, chairman of Singer & Friedlander, the merchant banking and property group, and Mr Andrew Cohen, managing director of Betterware, the home shopping company.

Also in the running is Sunset + Vine, which makes sports television programmes.

Epsom is being sold, along with Sandown Park and Kempton Park, by the Horserace Betting Levy Board, the statutory body that acquired the courses more than 20 years ago in order to protect them from possible property development.

All three courses lie within the M25, London's outer ring road. Estimates of their total value run up to £30m.

The bids must be submitted to Lazard Brothers, the merchant bank handling the sale, by the end of this week. The winner is expected to be announced at the end of March at the earliest.

Peninsular & Oriental Steam Navigation, the shipping and property company, which was also shortlisted, said that it would not be submitting a bid.

Also out of the running is the Racehorse Owners' Association, which feels aggrieved that it did not make the final list. The association, which has 4,500 members, is thought to have put in an indicative bid of well over £20m last month.

Mr David Hillyard, managing director of Racecourse Holdings Trust, said his group had a good track record for managing large racecourses. The [illegible] nine, including [illegible] and Newmarket, and ploughs all its profits back into racing.

Mr Clarke, owner of Uttoxeter, said he had served his apprenticeship in racing over the past five years, turning the course from losses of £36,000 in [illegible] profits [illegible].

"We are [illegible] racing men", said Mr Clarke, who sold his housebuilding business for £51m in 1986. He believes he can transfer to racing the management expertise [illegible] in building up two businesses.

Mr Gerry Buckland, of Sunset + Vine, said the company specialised in sports and horse racing television [illegible] and believed it could use its skills to enhance the potential of the three courses. "[illegible] Derby has not had the crack of the whip it might have had", he said.

Meanwhile Mr Bill Gredley, chairman of the Racehorse Owners Association, feels that the association's bid was unfairly dismissed. Its committee, which included Mr David Sieff of Marks and Spencer, and Sir Eric Parker, former chief executive of Trafalgar House, felt the bid timetable, squeezed between Christmas and March 1, was too tight.

"Nevertheless we put in a very competitive bid and we [illegible] that [illegible] need some answers", Mr Gredley stated.

Govett rises 21% to $54.6m

By Bethan Hutton

Govett, the fund management and insurance group, reported a 21 per cent increase in pre-tax profits to $54.6m (£37.3m) for the year to December 31. Profits growth came largely from fund management fees and investments, after a good year for international equity and bond markets.

The US profile of the group, which has half its assets and employees in the UK and half in the US, has been helped by gaining a Nasdaq listing last year. It is seeking a New York Stock Exchange ADR listing.

Funds under management grew by 31 per cent to $8.5bn, but a large portion of the $2bn [illegible] attributable [illegible] the acquisition of North American Trust Company [illegible] August, [illegible] under management. [illegible] inflows came from four large new [illegible] institutional accounts, new investment [illegible] mutual [illegible].

Weekly [illegible] of [illegible] mutual [illegible] leapt [illegible] $10m, [illegible] Mr Ian Whitehead, chief financial officer, said that growth was expected to continue this year. [illegible] group [illegible] aiming [illegible] increase [illegible] mutual fund [illegible] from [illegible] $1bn [illegible] the [illegible] term. [illegible] from [illegible] investors' general [illegible] international markets, driven by low [illegible] poor prospects for US stocks.

Income from fund management improved [illegible] ($15.4m), and investment income almost doubled [illegible] $18.5m ($9.7m). The contribution from the [illegible] life [illegible] and annuities [illegible] slipped [illegible] $18.3m ($19m), but Mr Whitehead said this [illegible] reflect significant unrealised gains. Income from development capital dropped [illegible] $4.5m ($7m).

A [illegible] buy-back programme contributed [illegible] the improved fully-diluted earnings per share figure, up 38 per [illegible] 62.1 [illegible].

There [illegible] a final gross dividend [illegible] 18 [illegible] (14.5 cents), [illegible] a total [illegible] 28 [illegible] cents).

DIVIDENDS ANNOUNCED

	[illegible]	Date of [illegible]	Corres-ponding [illegible]	[illegible] for [illegible]	Total [illegible]
Ashtead ....int	1.3†	Apr 6	1.133	-	[illegible]
City Merch High ....fin	2.4†	Apr 11	1.7	8.4	7.875
Essex Furniture§ ....int	1.8	Apr [illegible]	1.5	-	[illegible]
FII ....int	6†	May [illegible]	[illegible]	-	14.75
[illegible] ....fin	[illegible]	Apr [illegible]	14.5	28	[illegible]
Grosvenor Dev ....fin	1.1	Apr 29	[illegible]	1.1	[illegible]
Johnson Fry ....int	[illegible]	Apr 15	-	-	-
Low [illegible] Bonar ....fin	7.1	[illegible] 13	6.4	[illegible]	[illegible]
Rights & Issues ....fin	[illegible]	Mar 31	[illegible]	[illegible]	6.3
Wills Group ....int	0.115†	Apr 7	0.1	-	0.4

Dividends shown pence [illegible] share net [illegible] †On increased capital. §USM [illegible] to [illegible] ★US cents, gross.

COMPANY NEWS: UK

All-round growth helps Ashtead leap to £3.3m

By Peter Pearse

Ashtead, [redacted] plant and machinery hire [redacted] which had a £20.4m [redacted] in November, more than doubled pre-tax profits [redacted] £1.61m to £3.36m in the [redacted] months [redacted] [redacted] 31.

Although the [redacted] fell [redacted] to [redacted] yesterday, they have [redacted] rising sharply from [redacted] 378p level of [redacted] fortnight [redacted].

With organic growth coming from [redacted] three divisions, Mr Peter Lewis, chairman, said that operational gearing [redacted] business – underpinned by maintained, and [redacted] increased, investment [redacted] the group throughout [redacted] recession – lay behind [redacted] sharp profits [redacted]. During the period, capital expenditure [redacted] to [redacted] (£5.3m) and [redacted] expected [redacted] in [redacted].

Group [redacted] per [redacted] to [redacted] (£16.8m) with [redacted] up 24 [redacted] cent. Mr [redacted] said that further volume growth [redacted] the short-term aim, though there [redacted] been sporadic price increases of between 2 and [redacted] [redacted] last spring.

A-Plant, [redacted] UK plant hire business, raised operating profits [redacted] (£1.47m) [redacted] turnover [redacted] (£13.4m).

Ashtead Technology, the [redacted] division, lifted profits [redacted] £603,000 [redacted] on turnover lower [redacted] (£2.37m) [redacted] the withdrawal from low margin [redacted] programmes. A Singapore branch [redacted] opened in January.

Sunbelt, the US plant hire side, [redacted] profits [redacted] (£74,000) on turnover [redacted] (£1.1m). This year [redacted] spending [redacted] on plant: [redacted] year [redacted] figure [redacted].

Earnings per share more than [redacted] from 5.2p [redacted] 10.9p [redacted] the [redacted] raised [redacted] 1.3p (1.133p).

■ **COMMENT**

At this [redacted] in its development [redacted] leaves [redacted] cynic clutching [redacted] non-existent straws. [redacted] will [redacted] days in the second half – 115 against [redacted] first [redacted] 129 – [redacted] growth will [redacted] slightly. But [redacted] prices don't firm [redacted] they [redacted] half-expected to, that will hardly dent [redacted] group's [redacted] apart from anything else, interest charges will fall [redacted] the rights' [redacted] cash pile [redacted] previous borrowings. The management has steered the group through the recession admirably – investing heavily, [redacted] rushing at fences in the US, using profit-sharing [redacted] well – and they can afford to look a little smug. With £5.5m pre-tax pencilled in, giving earnings of [redacted] 16.5p, [redacted] p/e [redacted]. [redacted] profits [redacted] likely at [redacted] until [redacted] the [redacted] worth staying with.

Bullough restates after shortfall

By Paul Taylor

Bullough, the office products and refrigeration group, has been forced to restate its full-year results following the discovery of a £1.4m shortfall in the assets of a subsidiary.

As a result the group yesterday reported restated audited pre-tax profits of [redacted] for [redacted] year [redacted] 31 and earnings per share of 2.29p. The shares closed 12p lower at 161p.

The shortfall was discovered in one of [redacted] of the group's General Refrigeration [redacted]. Investigations [redacted] way [redacted] determine the [redacted] nature of the [redacted] which [redacted] thought mainly [redacted] the booking [redacted] fictitious profits [redacted] number [redacted].

However, the company [redacted] that [redacted] the investigation [redacted] completed it was [redacted] known how [redacted] was represented by the misappropriation of assets nor how much might be [redacted] from insurers. A member of the branch accounting staff had been [redacted].

Bullough's board, and [redacted] auditors, said they were [redacted] that [redacted] was the full extent of the potential loss.

Prior makes second cash call

Hanson's Beazer Estates subsidiary [redacted] taking [redacted] per [redacted] in Prior, [redacted] property [redacted] and architectural ironmonger, [redacted] part consideration for the sale of two properties in Hull and Liverpool.

Beazer, [redacted] has given Prior [redacted] option [redacted] further property, [redacted] not to sell the shares for at least 12 months.

Prior [redacted] buying [redacted] in London's Fleet Street for £11.5m [redacted] controlled by the family trust of Prior's chairman, Mr James Prior.

It [redacted] seeking [redacted] through [redacted] placing of [redacted] shares [redacted] 4½p. They [redacted] being [redacted] available [redacted] shareholders on 3-for-4 [redacted]. The [redacted] were suspended [redacted] 7½p. The company also [redacted] pre-tax profits of £2.02m (losses £467,000) for the [redacted] months [redacted] September 30 as a result of the placing in May, which raised £2.37m net, allowing a [redacted] of bank indebtedness [redacted]. Turnover [redacted] (£596,000).

Prior [redacted] buying [redacted] properties for [redacted] aggregate £12.7m, [redacted] by [redacted] 32.2m shares, [redacted] a loan of £9m from Century Life, which has [redacted] granted an option [redacted] up [redacted] 4m shares [redacted] 4½p.

Growth [redacted] Johnson Fry Utilities

In [redacted] interim report [redacted] flotation [redacted] July, Johnson Fry [redacted] Trust [redacted] value per share by 30 per [redacted] to 122.4p in the period from July 14 [redacted] January 31 1994.

The company, which invests mainly in UK utilities, reported [redacted] £1.19m and earnings per share [redacted] 3.92p. A [redacted] 1.6p [redacted] 3.2p to date and a forecast total [redacted] 7.2p [redacted].

Venture gives distribution access to 45,000 prospective customers

Quality Software in US link-up

By Alan Cane

Quality [redacted] Products, the Gateshead-based accounting [redacted] company which joined the main market last [redacted], [redacted] secured distribution in North [redacted] for its principal product through [redacted] innovative [redacted] sharing venture.

The [redacted] signed with Global Software, [redacted] US accounting [redacted] based in Raleigh, North Carolina. The venture gives [redacted] prospective [redacted] – the UK market for large [redacted] accounting [redacted] is only [redacted].

At no cost [redacted] per [redacted] equity stake in [redacted] with the option to purchase a further 5 per cent at a later [redacted].

[redacted] and Global will share [redacted] licence fee and [redacted] new client-server accounting software, Universal OLAS.

Analysts were enthusiastic about the deal, arguing that it provided QSP with [redacted] low cost and low risk method of entry to the US market.

Sales in the North American market are critical for any software company with global ambitions but UK companies have a poor record of success in the US. QSP's share price was unchanged yesterday at 407p.

Mr Alan Mordain, QSP chairman, said the company had been seeking a suitable [redacted] partner for two years and had [redacted] encouraged by the similarity [redacted] approach between the two companies. The Global management, which recently bought the company from Hathaway Corporation, had powerful incentives [redacted] make the relationship work, he said.

QSP [redacted] successful in the UK with [redacted] mainframe accounting package, but [redacted] pinning [redacted] future hopes on Universal Olas, developed [redacted] client-server systems at [redacted] of some £12m.

Client-server systems are increasingly taking over [redacted] mainframe computers in large companies and could represent half of all installed [redacted] by 1998.

Global, with revenues [redacted] $25m (£17m) in 1993 [redacted] over 1,000 customers in the US, including Federal Express and the American Hospital Association, is a competitor [redacted] Dun [redacted] Bradstreet [redacted] and Computer Associates [redacted] the US, and [redacted] of Germany in mainframe software, but has [redacted] client-server software.

Mr [redacted] Roberg, [redacted] vice president, said [redacted] the company would have [redacted] to develop [redacted] client-server product.

[redacted] now has 10 [redacted] Universal OLAS and has completed all the principal modules.

NEWS DIGEST

London Industrial downturn

London Industrial, [redacted] property investment [redacted] which [redacted] market in December, reported [redacted] fall in pre-tax profits from [redacted] for [redacted] quarter [redacted] 31, bringing [redacted] the nine months [redacted] against [redacted].

Turnover on continuing operations improved [redacted] £1.71m (£1.52m) for the three months. Earnings [redacted] 2.1p (6.3p).

[redacted] the period end, the company [redacted] agreed [redacted] two industrial [redacted] in Barking, Essex, and Lewisham, London, for [redacted] £3.5m.

Countyglen appoints two new directors

Countyglen, [redacted] Dublin-based property investor, [redacted] appointed Ms [redacted] Sharpe, with [redacted] years' experience in the financial sector of the US, and Mr Daniel Hardie, a Canadian with 25 years' experience in the investment business, to its main board.

Ms Sharpe and others intend to initiate proceedings, both in Ireland and the US, against a number of parties including Mr Clayton Love, a director of Countyglen.

Countyglen has agreed to be joined as a plaintiff in the intended actions. As a result Mr Clayton Love has been suspended pending the outcome of the court proceedings.

City Merchants High Yield up 38%

City Merchants High Yield Trust [redacted] its net [redacted] per [redacted] by [redacted] per [redacted] – from 105.7p [redacted] 146.2p – [redacted] the 12 months [redacted] end-December.

[redacted] revenue improved from [redacted]. [redacted] per share, [redacted] capital increased by last summer's successful placing, [redacted] (9.02p).

A recommended final dividend [redacted] 2.4p [redacted] distribution for the year [redacted] 8.4p (7.875p).

Record orders for BP Energy

[redacted] Energy, the energy supply management subsidiary of British Petroleum, had [redacted] supply orders of [redacted] over [redacted] months, the [redacted] reported yesterday.

The [redacted] recent contract [redacted] the outsourcing [redacted] bulk [redacted] supplies by Pirelli Cables at its site in Eastleigh, near Southampton.

Fleming European possible placing

Fleming European Fledgeling Investment [redacted] considering a placing and offer of conversion shares [redacted] increase [redacted] of the [redacted].

The directors will assess [redacted] potential [redacted] the [redacted] days.

Any placing and [redacted] will be structured [redacted] dilution of the net [redacted] value of the existing [redacted] will be made [redacted] to all existing shareholders, including [redacted] Fleming [redacted] and schemes, and [redacted] public.

Reorganised Conrad turns in £23,000

Following reorganisation, Conrad, the football clothing, coaching, consultancy and leather goods group, turned in a pre-tax profit [redacted] £23,000 [redacted] the six months to end-December, compared with a [redacted] £341,000.

The result was [redacted] on [redacted] down from £4.66m to [redacted], in line with [redacted] policy of "moving away from stock [redacted]" [redacted] concentrating on consultancy – including the Bobby Charlton [redacted] soccer consultancy – and brand management.

Earnings per share came [redacted] at 0.04p, compared with losses of 0.63p.

INTERNATIONAL ECONOMIC [redacted] MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

■ UNITED STATES

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	[redacted] Rate	[redacted] Yield
1986	13.5	8.3	6.49	7.67	3.43
1987	11.6	6.5	6.82	[redacted]	[redacted]
1988	[redacted]	5.2	7.65	[redacted]	3.61
[redacted]	1.0	3.9	8.99	[redacted]	3.43
1990	[redacted]	5.3	[redacted]	8.54	[redacted]
1991	5.9	3.3	5.87	7.85	3.21
1992	[redacted]	[redacted]	[redacted]	7.00	2.95
1993	11.6	1.1	3.22	5.86	2.78
[redacted]	11.9	0.4	3.20	[redacted]	2.81
2nd [redacted]	11.6	0.9	3.18	5.96	[redacted]
3rd qtr.1993	12.2	1.5	3.18	5.61	2.76
[redacted]	10.6	1.4	[redacted]	5.59	[redacted]
January 1993	13.4	1.1	[redacted]	6.59	2.87
February	11.7	[redacted]	[redacted]	[redacted]	[redacted]
March	10.9	0.2	3.17	[redacted]	[redacted]
April	11.0	[redacted]	[redacted]	[redacted]	2.81
May	12.1	1.1	3.14	6.02	2.81
June	12.8	1.5	[redacted]	[redacted]	2.80
July	12.7	1.5	[redacted]	5.79	2.80
August	12.2	1.4	[redacted]	[redacted]	[redacted]
September	11.7	1.4	3.16	5.[redacted]	2.73
October	10.9	1.1	3.26	5.32	2.71
November	10.4	1.4	3.40	5.70	[redacted]
December	10.1	[redacted]	[redacted]	[redacted]	[redacted]
January	[redacted]	2.0	[redacted]	5.71	[redacted]

■ JAPAN

	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	8.2	[redacted]	5.35	[redacted]
1987	10.5	11.5	4.15	4.84	0.55
1988	8.4	10.4	4.43	4.77	0.54
[redacted]	[redacted]	10.6	5.31	5.22	[redacted]
1990	2.6	8.5	7.62	6.91	[redacted]
1991	5.2	2.0	[redacted]	6.37	0.75
1992	4.5	-0.4	4.28	5.25	[redacted]
1993	3.0	1.5	2.88	[redacted]	0.87
[redacted]	1.8	-0.4	3.29	4.34	[redacted]
2nd [redacted]	3.2	1.4	3.09	4.63	0.83
3rd qtr.1993	3.3	[redacted]	[redacted]	4.25	0.80
[redacted]	3.6	1.5	2.14	3.57	[redacted]
January 1993	[redacted]	-0.3	3.59	4.55	1.03
February	[redacted]	[redacted]	[redacted]	[redacted]	1.01
March	[redacted]	-0.4	[redacted]	[redacted]	[redacted]
April	2.4	[redacted]	[redacted]	[redacted]	[redacted]
May	3.9	1.5	3.09	[redacted]	0.82
June	[redacted]	1.4	[redacted]	[redacted]	[redacted]
July	[redacted]	[redacted]	3.11	4.40	0.81
August	[redacted]	1.7	[redacted]	4.27	0.79
September	[redacted]	1.9	[redacted]	[redacted]	[redacted]
October	3.7	[redacted]	[redacted]	[redacted]	0.80
November	3.3	[redacted]	2.22	[redacted]	[redacted]
December	[redacted]	1.4	1.90	3.25	[redacted]
January	4.6	1.6	[redacted]	[redacted]	[redacted]

■ GERMANY

	Narrow Money (M1)	[redacted]	Short Interest Rate	Long [redacted] Rate	[redacted] Yield
1986	10.0	8.3	[redacted]	5.90	[redacted]
1987	9.0	7.3	4.03	6.14	2.21
1988	[redacted]	6.4	[redacted]	[redacted]	2.61
[redacted]	6.3	5.5	7.11	6.94	2.22
1990	[redacted]	4.5	8.49	8.71	[redacted]
1991	[redacted]	5.5	9.25	8.44	2.36
1992	7.1	8.2	[redacted]	7.77	2.45
1993			7.28	[redacted]	2.11
[redacted]	9.6	[redacted]	8.31	[redacted]	2.42
2nd [redacted]	9.5	[redacted]	[redacted]	6.73	2.24
3rd qtr.1993	[redacted]	[redacted]	6.82	6.34	2.01
[redacted]			[redacted]	5.83	1.79
January 1993	9.5	7.7	8.60	7.10	[redacted]
February	[redacted]	[redacted]	8.39	[redacted]	[redacted]
March	10.0	[redacted]	[redacted]	6.59	[redacted]
April	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
May	9.3	[redacted]	[redacted]	[redacted]	[redacted]
June	10.1	[redacted]	[redacted]	[redacted]	2.22
July	10.1	[redacted]	[redacted]	[redacted]	[redacted]
August	10.1	[redacted]	[redacted]	[redacted]	[redacted]
September	[redacted]	[redacted]	[redacted]	6.12	1.96
October	[redacted]	6.4	[redacted]	[redacted]	[redacted]
November	8.4	[redacted]	6.31	5.86	[redacted]
December	[redacted]	[redacted]	[redacted]	5.71	1.69
January			[redacted]	5.63	1.71

■ FRANCE

	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long [redacted] Rate	Equity [redacted] Yield
1986	6.9	[redacted]	7.79	8.74	2.65
1987	4.1	12.2	8.26	9.46	2.75
1988	3.9	8.4	7.94	9.08	3.69
[redacted]	[redacted]	9.5	[redacted]	8.79	2.65
1990	[redacted]	9.0	10.32	9.92	3.19
1991	-[redacted]	2.7	9.62	9.03	3.58
1992	-0.1	5.5	[redacted]	8.57	3.55
1993			[redacted]	[redacted]	3.21
[redacted]	0.7	[redacted]	11.83	[redacted]	3.38
2nd [redacted]	-0.3	[redacted]	8.01	[redacted]	3.33
3rd qtr.1993	-1.0	[redacted]	7.74	6.38	[redacted]
[redacted]			[redacted]	5.92	3.01
January 1993	[redacted]	[redacted]	[redacted]	[redacted]	3.55
February	1.0	[redacted]	12.12	[redacted]	[redacted]
March	0.7	5.4	11.27	[redacted]	[redacted]
April	-2.6	4.1	9.06	7.14	[redacted]
May	-3.3	[redacted]	[redacted]	7.16	3.39
June	-0.3	2.7	[redacted]	6.95	[redacted]
July	-1.5	[redacted]	[redacted]	[redacted]	[redacted]
August	-1.9	0.2	7.93	[redacted]	3.06
September	-1.1	[redacted]	[redacted]	6.12	[redacted]
October	0.6	-0.3	[redacted]	5.95	[redacted]
November	-2.5	-1.4	[redacted]	6.02	[redacted]
December	[redacted]	[redacted]	[redacted]	[redacted]	2.94
January			[redacted]	[redacted]	[redacted]

■ ITALY

	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	10.5	8.2	13.25	11.47	1.41
1987	10.4	9.6	[redacted]	[redacted]	1.94
1988	7.8	6.9	[redacted]	10.54	2.71
[redacted]	7.1	8.2	[redacted]	[redacted]	2.48
1990	9.9	9.1	[redacted]	[redacted]	[redacted]
1991	[redacted]	8.0	[redacted]	13.20	[redacted]
1992	6.7	7.5	13.86	13.29	[redacted]
1993			[redacted]	[redacted]	2.35
[redacted]	2.8	[redacted]	[redacted]	[redacted]	[redacted]
2nd [redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
3rd qtr.1993	5.0	[redacted]	9.38	10.27	[redacted]
[redacted]			8.89	[redacted]	2.01
January 1993	2.1	5.4	12.78	[redacted]	[redacted]
February	2.9	6.3	11.61	[redacted]	[redacted]
March	3.5	[redacted]	11.41	[redacted]	2.88
April	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
May	2.2	[redacted]	[redacted]	[redacted]	[redacted]
June	2.8	[redacted]	[redacted]	11.67	[redacted]
July	3.5	[redacted]	9.54	11.12	[redacted]
August	5.2	[redacted]	[redacted]	[redacted]	[redacted]
September	[redacted]	[redacted]	[redacted]	9.66	1.85
October	5.4	[redacted]	[redacted]	[redacted]	1.94
November	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
December	[redacted]	7.9	[redacted]	8.94	1.97
January			[redacted]	[redacted]	[redacted]

■ UNITED KINGDOM

Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield	
4.0	15.3	11.02	9.97	4.35	1986
4.7	14.6	9.77	9.52	3.60	1987
6.8	17.0	10.41	9.69	4.48	1988
5.9	17.5	13.98	10.30	4.36	1989
6.3	[redacted]	14.82	[redacted]	5.07	1990
[redacted]	[redacted]	11.58	10.04	4.97	1991
2.3	5.3	9.73	[redacted]	4.91	1992
4.8	3.9	5.92	7.40	[redacted]	1993
4.4	3.5	6.43	7.87	4.35	1st qtr.1993
4.2	3.6	[redacted]	7.92	4.04	2nd qtr.1993
5.0	3.7	5.96	7.13	[redacted]	[redacted] qtr.1993
5.4	[redacted]	[redacted]	6.52	3.75	4th [redacted]
[redacted]	[redacted]	[redacted]	[redacted]	4.46	1993 January
4.6	3.4	[redacted]	[redacted]	4.36	February
4.7	3.7	[redacted]	[redacted]	[redacted]	[redacted]
4.8	[redacted]	[redacted]	[redacted]	[redacted]	April
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	May
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	June
4.7	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
5.1	[redacted]	[redacted]	7.00	[redacted]	August
[redacted]	[redacted]	[redacted]	[redacted]	3.55	September
5.4	[redacted]	[redacted]	[redacted]	[redacted]	October
[redacted]	[redacted]	[redacted]	6.77	[redacted]	November
5.5	[redacted]	5.40	[redacted]	[redacted]	December
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	January

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Merrydown shares lose sparkle after warning on profits

By Graham Deller

Shares [illegible] Merrydown tumbled yesterday [illegible] the [illegible] based cider and [illegible] drinks maker [illegible] a warning on profits and announced plans to restructure its [illegible].

The shares were marked down to 125p in pre-market dealings, as analysts hastily [illegible] their profits [illegible] downwards, before rallying to finish at [illegible] – still [illegible] below Friday's closing level.

The board, chaired by Mr Richard Purdey, said that sales in the crucial Christmas [illegible] had been "very disappointing". Despite growth from the repackaged Original brand, the sales outcome for the full year to end-March was likely to be "well below previous expectations with a considerable adverse effect on profitability".

While the recently acquired Shloer and PLJ brands had maintained sales, cider was hit, particularly in the bulk cash and [illegible] and [illegible] sectors, reflecting competition from [illegible] brands, the [illegible] said.

The full-year was unlikely to show more than a modest profit, and the level of the final dividend – [illegible] for a total of 7p – was "under review".

The proposed restructuring, aimed at increasing working capital by concentrating on the company's core brands, would involve a reduction in stock levels and overheads and the disposal of [illegible] Natural Foods and other "non-core assets".

● Merrydown's quoted competitors – HP Bulmer and Taunton Cider – both responded to the statement.

Bulmer, which produces the Strongbow, Woodpecker and Scrumpy Jack brands, described its trading over Christmas as "reasonable". It said its brand portfolio was more "[illegible]" than Merrydown's and stressed that economy brands accounted for just 5 to 6 per cent of its total cider market.

Taunton, which warned in December that lower-priced brands had adversely affected the take-home market, said its own trading over the period was "satisfactory".

The group, which makes Dry Blackthorn and Autumn Gold and the premium Red Rock, Diamond White and Brody brands, is launching fresh promotional campaigns from next month, but declined to make a formal statement on trading.

Enlarged Wills ahead to £0.58m

Wills Group, the distributor of fluid handling equipment, reported [illegible] pre-tax profits of £575,000 for the six months to January 1, against [illegible].

The result was achieved on turnover up [illegible] from £8m to £11.5m.

Wills also announced a further acquisition with the purchase of [illegible] Technology, a [illegible] supplier to the brewing industry, for £60,000.

In the year to May 31 it made pre-tax profits of [illegible] on turnover of £1.5m.

The figures were the first to include a full contribution from [illegible], acquired in April last year. At the beginning of November, SRL, based in Lyon, was acquired helping the French [illegible] to show a good performance.

In Italy buoyant results in some areas balanced downturns in others.

Trading in Germany and the Netherlands was poor, while in the UK there has been some sign of improving [illegible] conditions but this has yet to show through in significant [illegible] in demand.

Earnings per share improved to [illegible] (0.24p) fully diluted.

The interim dividend is raised from 0.1p to 0.115p.

New stores lift Essex Furniture

[illegible] new store openings [illegible] Essex Furniture to raise pre-tax profits by 14 per cent, from £619,000 to [illegible], in the six months to December 31. Sales at the USM-quoted furniture retailer and manufacturer grew 44 per cent to £7.47m.

Mr Michael Franks, chairman, said trading from Boxing Day was ahead of forecast with excellent input from new locations. Results for the full year were expected to be "very satisfactory."

He reported that the interim performance had exceeded budgeted forecasts and the company had absorbed the opening costs of a new head office and distribution facility of five new showrooms in the period.

An additional [illegible] sq ft had been added to selling space and the company said it intended to open a minimum of five showrooms in 1994.

Earnings [illegible] from 3.73p to 4.06p and the interim dividend is [illegible] (1.5p).

Sheffield Insulations £1.2m purchase

Sheffield Insulations is to buy Turton Ventures, a distributor of safety and workwear clothing products, for £1.2m.

The consideration will be satisfied by a payment of £642,500 cash on completion, and £557,500 by the issue of 202,727 ordinary shares.

Turton imports many of its products from east Asia.

Wong Shi, Sheffield's Taiwan-based subsidiary, will act as the procurement agent for the enlarged Turton business.

A promise of no jam tomorrow

Andrew Bolger takes a look at Trafficmaster, which is en route for a market quote

Growing traffic congestion – and offering customers a way of avoiding it – are key elements in the strategy of a group which will soon come to the market with a capitalisation of about £25m.

Trafficmaster is a Luton-based company which claims to offer the world's first commercially available on-board traffic monitoring system. A dashboard-mounted screen advises of upcoming traffic jams and road accidents, in time for drivers to alter their route.

Mr David Martell, chief executive, said Monday mornings were the worst time to travel on the UK's motorways, while Friday mornings were best in all parts of the country. He said: "Cynically, I think this is because salesmen don't work on Fridays – they play golf."

Trafficmaster has installed infra-red sensors which monitor traffic speed, transmit it by radio to a central computer and then feed the information to visual display units in subscribers' vehicles. The complete network is updated every three minutes, and advises motorists of the average speed and direction of any hold-up.

The system already covers more than 1,000 miles of motorways and trunk roads in the south of England and the Midlands.

Part of the flotation proceeds will be used to extend the network to cover the main motorways in England, Wales and Scotland by the end of this year, and main trunk roads during 1995 and 1996.

Trafficmaster units can be rented for £30 a month, or £19.50 a month if purchased. The screens currently cost £199, but, like other electronic products, prices are likely to fall rapidly if and when they start being sold by high street retailers.

Mr Martell, 45, is an accountant with interests in property and wine shipping. He said the idea for Trafficmaster came to him when sitting in an M25 traffic jam on the way to Heathrow with an old school friend, Mr Ian Williams, who is now a non-executive director of the company they founded.

Mr Martell is a fan of motorways and believes some of the critical press coverage about them is undeserved. However, he was struck by the poor quality of information about traffic conditions available to drivers.

The company was established in 1988 and, backed by Hambro venture capital funds, developed the necessary dedicated hardware and software. A pilot scheme, covering 250 miles of motorways around London, was successfully concluded in 1992, after which the company was awarded a 12-year licence to operate the system on all English motorways and trunk roads.

The licence is non-exclusive, and Mr Martell acknowledges that other organisations might seek to enter the market. However, he believes the company's investment means it [illegible] four-year technological [illegible] [illegible] of opportunity [illegible] product.

To [illegible] Trafficmaster is still incurring trading losses, [illegible] screens. It [illegible] close [illegible] level, [illegible] will [illegible]. However, once the network is complete, [illegible] from [illegible] additional subscriber should [illegible] profitability [illegible] quickly.

Trafficmaster [illegible] that existing subscribers, which [illegible] mainly [illegible] employees from 55 of the FT-SE [illegible] companies, report [illegible] the system [illegible] save time, reduces frustration and provides insurance against delay.

[illegible] little danger of diminishing demand. The Con[illegible] British Industry [illegible] the UK [illegible] a year. According to Department of Transport forecasts, the number of [illegible] in the UK will [illegible] by 60 per [illegible] by 2020, and road [illegible] will more than double in the [illegible] period.

[illegible] patents pending in [illegible] countries. In the US – where [illegible] is a registered [illegible] mark – Westinghouse Electric, the US conglomerate, has signed an [illegible] to introduce the system, probably starting on Washington DC's beltway.

About 20 per [illegible] of current subscribers pay extra to use the system as a personal pager. A new generation of screens will [illegible] "smart-card" technology to provide extra services, such as demonstrating [illegible] position, [illegible] sending local information and routing from motorway [illegible].

So far the company has installed giant Trafficmaster [illegible] at [illegible] Welcome Break motorway sites, with plans for [illegible] more [illegible] and airports this [illegible].

Each [illegible] can [illegible] more [illegible] from advertising [illegible] as a [illegible] marketing tool to potential subscribers.

[illegible] screens [illegible] also [illegible] installed [illegible] the reception [illegible] of [illegible] corporate customers, [illegible] can check [illegible].

The company's big breakthrough in the mass market could come when motor manufacturers [illegible] providing guidance systems in new vehicles. Renault and BMW are [illegible] the [illegible] manufacturers working along [illegible].

Trafficmaster will be floated by way of a placing, sponsored by Allied Provincial, to [illegible] about £5m of new money.

Peek, the quoted electronics group, currently has a 23 per cent stake in the company, but is not expected to sell any of its shares.

Monitoring [illegible] David Martell, flanked [illegible] John Abbott, commercial director (left), and Bill McIntosh, finance director

Kynoch rationalises after £644,000 loss

[illegible] Group, the specialist manufacturer of healthcare equipment, swung from profits of £958,000 to losses of £644,000 pre-tax for the year to December 31.

Turnover of continuing activities rose to £14.3m (£13.3m). There was also a £226,000 contribution from acquisitions.

The group warned in September that profits for the year were likely to be well below those for 1992. For the opening six months they fell by 67 per cent to £126,000.

To stem the tide of losses, the group has rationalised its MDH offshoot, to give cost savings of £423,000 in 1994.

It has also sold its large capacity steriliser business which was the main cause of the 1993 deficit.

There were exceptional charges for non-recurring items in 1993 amounting to £249,000 (nil). Losses per share emerged at 1.9p (earnings 3.4p).

Looking ahead, Mr John Salkeld, chairman, said trading in recent months had stabilised [illegible] pattern of [illegible] had begun to improve from the low levels experienced in the second half of 1993.

Panmure Gordon has agreed to become stockbroker to the group with immediate effect.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, 18th February, 1994. In some cases the rate is nominal. Market rates are the average of buying and [illegible] rates except where they are shown to be otherwise. In some cases [illegible] rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Special Drawing Rights February 17, 1994 [illegible]

Abbreviations: [illegible]

TRAFALGAR HOUSE

PUBLIC LIMITED COMPANY

NOTICE TO SHAREHOLDERS

CHANGE IN DIVIDEND PAYMENT DATE FROM 11th MARCH TO 6th APRIL 1994

At the Annual General Meeting of Trafalgar House to be held on Thursday 24th February [illegible] the board will recommend that the final ordinary dividend of 2p per share for the year ended 30th September 1993, payable to [illegible] on the register on 13th January 1994, should be paid on 6th April 1994 rather than 11th March 1994 as previously proposed.

The change in the payment [illegible] will save the company approximately [illegible] in [illegible] corporation tax. The [illegible] believes that it is prudent to [illegible] this action and that it is in the best interests of the [illegible] and its shareholders.

Simon [illegible]

Chairman

22nd February 1994

Trafalgar [illegible] Public Limited Company, 1 Berkeley Street, London W1A 1BY.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

[illegible] under [illegible] 7 of the [illegible] granted [illegible]

1. The Secretary [illegible] hereby [illegible]

(a) that [illegible] duly [illegible] the proposals in [illegible] which he published [illegible] 17 February [illegible] 15 [illegible] 1993 under [illegible] 8(5) and 10(6) [illegible] the Telecommunications [illegible] ("the Act") regarding his intention to [illegible] under [illegible] Limited ("the Licensee") to run telecommunication [illegible] throughout the United Kingdom:

[illegible] granted [illegible] ("the Licence") [illegible] Licensee, being [illegible] which [illegible] of the [illegible] applies [illegible] thereby making the Licensee [illegible] have the Telecommunications [illegible] in Schedule 2 [illegible] Act applied to it under section 10 of the Act;

(c) [illegible] he [illegible] applied [illegible] Code ("the Code"), except for paragraph 10, [illegible] the Licensee throughout the United Kingdom. The application of the Code to the Licensee is subject [illegible] exceptions [illegible]. The [illegible] exceptions [illegible] the Licensee has duties:

i. to comply with various safety [illegible] environmental [illegible]

ii. to comply with conditions designed to ensure efficiency and economy on the [illegible] of the Licensee, in [illegible]ection with the execution of works on land concerning the installation, [illegible] repair or alteration [illegible] its apparatus;

iii. to [illegible] certain public [illegible] before exercising particular powers [illegible] the [illegible] including [illegible] local planning [illegible] authorities and, [illegible] appropriate, English Nature, [illegible] Natural Heritage, [illegible] Countryside Council [illegible] National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

iv. to keep and make available [illegible] of the location [illegible] underground apparatus and copies of exceptions and conditions [illegible] the Licence [illegible] the powers under the Code; [illegible]

[illegible] to ensure that sufficient funds are available [illegible] meet certain liabilities arising from the [illegible] of street works.

2. The Secretary of State has applied the Code to the Licensee:

[illegible] because the Licensee will need the statutory powers in the Code [illegible] install and maintain the telecommunication systems which are to be installed and run under the Licence;

[illegible] subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

[illegible] The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication [illegible].

4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State on 30 days notice in the circumstances specified in the Licence.

5. Copies of the Licence may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price [illegible] each, [illegible] packing free.

L Beech (Miss) Department of Trade and Industry

COMMODITIES AND AGRICULTURE

Russia bursts aluminium balloon

By Richard Mooney

The aluminium market's balloon was burst yesterday by the [illegible] official who single-handedly pumped it up just a [illegible] ago.

The metal's [illegible] month delivery price climbed to an 18-month peak [illegible] a tonne last week following Mr Vladimir Kalchenko's [illegible] on Tuesday [illegible] country's output [illegible] of [illegible] tonnes under the multilateral scheme agreed in Brussels [illegible] month would grow to 300,000 [illegible] by the end [illegible] April. [illegible] yesterday, Mr Kalchenko, first deputy general director of producers' group Aluminiy, told the [illegible] news [illegible] in [illegible] that Russia was suspending further [illegible] it was not satisfied with [illegible] producers' compliance.

The LME price quickly fell [illegible] a tonne, [illegible] on the day, but still more than [illegible] the level ruling at the time of Mr Kalchenko's original statement.

"We have already [illegible] output by [illegible] than one third of what we promised," the Aluminiy official said yesterday. "We will continue only after we [illegible] producers doing the same."

He pointed to the [illegible] of French producer Pechiney to [illegible] on the [illegible] and timing of its promised output [illegible] as "an exact example of what we are displeased with". Pechiney said on February 10 that it would lower production temporarily but had [illegible] that the cuts would be [illegible] big [illegible] would be.

Some of [illegible] aluminium producers are studying the possibility of reducing production but [illegible] no new [illegible] are planned, according to [illegible] officials, reports Reuter from Rio de Janeiro.

At a meeting of the Brazilian Aluminium Association on Friday, producers [illegible] against industry-wide cuts and agreed that individual companies should [illegible] responsible for production levels.

"We have not decided whether or not to cut production," said Mr [illegible] Ermírio de Moraes, director of Companhia Brasileira de Alumínio, which produces [illegible] tonnes of aluminium a year. "We do not think, however, that cuts should start with CBA".

Aluvale, an aluminium holding of state mining giant Companhia Vale do Rio Doce, was also considering cutting production at its two associated companies, Valesul and Albras, said Mr Francisco Pitella, the [illegible] director. But he added that an early decision was not expected.

Beef mountain is down but not out

More curbs are on the Brussels agenda, writes **Deborah Hargreaves**

R[illegible] of [illegible] in a [illegible] London [illegible] in one of the European Union's more costly and complex [illegible] to support farmers. It will spend about [illegible] on buying up surplus [illegible] year as part of the common agricultural policy's intervention system.

[illegible] of beef in cold stores across the EU hit a record level of 1.1m tonnes a year ago, leading to calls for cuts in the beef mountain. The amount of beef in intervention stores has since more than halved to 430,000 tonnes as a result of CAP reform and increased export opportunities.

But the European Commission believes this is only a short-term respite and is urging farm ministers to agree further production curbs this year.

Mr Rene Steichen, agriculture commissioner, recently warned that the drop in beef stocks has not as much been caused by reform, "but has to be explained by the cyclical movement of production". He fears that the market will not remain as positive but will move into imbalance caused by over-production in one to two years.

Mr Steichen is calling for prompt action to make adjustments to the beef regime in a "calm" environment "rather than in an emergency situation as has all too often been the case in the past".

His calls are backed by the UK government which wants to trim spending on beef – the second most expensive support system in the agricultural budget, beaten only by cereals. The commission is proposing adjustments to beef premium payments and is hoping that reforms already in place will reduce the role played by intervention.

"It's days are numbered as a real outlet and we hope it will end up as what it was always intended to be: a last resort," a commission official explains.

Instead of acting as a safety net to keep farmers producing beef, the intervention system encouraged over-production and the EU still raises far more beef than it needs. Ireland, for example, produces seven times its own beef consumption, with about 75 per cent usually going straight to intervention stores.

"Some farmers were producing heavyweight carcasses that had no commercial market and were going straight into intervention," a UK farming official says.

The irony about the support system is that the beef is often sold years after it is bought at a price that is not high enough to cover the costs of keeping it in cold storage – about £230 a tonne each week.

Intervention [illegible] hit the [illegible] in the UK last year when six-year old [illegible] turned up at a butcher's shop in Devon. Sensitivity still runs high over frozen meat and the manager of an east London cold store demands anonymity for himself and his store even though his beef is a mere 18 months old. Outside, "Meat is Murder," is scrawled on a wall.

CAP reforms are starting to bite into the intervention system and will have an effect on overall beef production. Intervention prices have been cut by 5 per cent and will be come down by another 10 per cent over the next 2 years.

On top of this, boards cannot buy until the market price falls to 80 per cent of the intervention price (which is set each year). This level will be cut to 60 per cent.

At the same time, the EU has set gradually falling ceilings for the amount of meat that can be bought by intervention [illegible] year. This year 650,000 tonnes can be put into store, falling to 350,000 tonnes by 1997. It has also restricted the size of carcasses that can be bought.

The commission can take action on its own to limit further the size of animals that can be bought by intervention as a way of reducing stocks. But if the EU's beef regime is to fit in with the requirements of the General Agreement on Tariffs and Trade, farm ministers will have to consider further reforms such as reducing beef premium payments, cutting export refunds or further restrictions to intervention as a way of trimming output.

Codelco divisions to have more autonomy

By David Pilling in Santiago

Codelco, Chile's state copper company, is to change its management structure to allow its six divisions more autonomy. The new structure will [illegible] into effect on March 11 when Mr Juan Villarzú takes over as head of Codelco under the new administration of president-elect Eduardo Frei.

Mr Villarzú has scrapped the post of vice-president for operations, an intermediary between the Santiago-based headquarters and the managers of the mining, [illegible] and workshop divisions.

"The transformation of Codelco [illegible] one of the most profitable large mining concerns in the world requires rapid and effective decentralisation," Mr Villarzú said. He proposed the scrapping of the operations vice-presidency and the "immediate creation of an administration council in each of the divisions, with the consequent strengthening of decision-making at that level".

Pressure to streamline Codelco's structure has grown enormously since last month's metal futures fiasco, in which one Codelco trader is alleged to have lost the company $206m. Critics of Codelco argue that its unwieldy structure and "giganticism" were partly responsible for its lack of control over internal operations.

Even before the scandal, Mr Villarzú had emphasised the need to "modernise" Codelco through the creation of autonomous divisions. Each will, including some of the [illegible], may eventually be required to operate at a profit.

Many of Codelco's top executives resigned after the futures trading scandal, giving Mr Villarzú free hand to bring in an entirely new team.

Shephard says probe of French pig aid does not go far enough

By Alison Maitland

UK agriculture minister Mrs Gillian Shephard yesterday [illegible] European Commission [illegible] to investigate alleged illegal state aid in French pig producers [illegible] said they did not go far enough.

Speaking at the farm council in Brussels, Mrs Shephard said: "Although the French authorities announced [illegible] schemes, for FFr30m (£3.5m) and FFr500m in September and [illegible] year, [illegible] against only [illegible]."

Britain's National Farmers' Union, complaining to Brussels last week, said the French payments were causing the UK pig industry to bleed to death.

Urging swift action by the commission, Mrs Shephard said pig producers throughout the European Union had suffered for the past year from oversupply, [illegible] of an expansion in pig herds in most member states.

"France is as much to blame as anyone," she said. "By introducing its own national [illegible] the French government adds to the problems in every other country, and [illegible] its own producers [illegible] have contributed to the over-supply and current market difficulties."

Special aid is not the only form of financial support for continental pig producers that encourages expansion and puts British producers at a disadvantage, according to a report by the UK Meat and Livestock Commission.

Corporate tax arrangements are more flexible in Denmark, France and the Netherlands than in Britain, it says. "The main areas of flexibility that could be encouraged in Britain are in the depreciation of capital investment, the ability to average net income over a three- to five-year period and the use of tax credits for training."

Institutions lending to pig farmers see [illegible] as a lower risk on the continent than is the case in Britain, and price stabilisation schemes also help, the report says.

It adds that "a striking feature of the Danish, French and [illegible] production systems is the degree of producer co-operation, normally encouraged by respective governments."

This provides strong links between producers, processors and [illegible], improved power when buying supplies, and an ability to negotiate advantageous loans. "Whereas almost 100 per cent of pig production in Denmark, France and Netherlands is covered by collaborative arrangements, the [illegible] for Britain is only about [illegible] per cent."

The report [illegible] a British [illegible] on the [illegible] tethers and [illegible] will bring extra [illegible] producers compared with their European counterparts. "This [illegible] is a watershed and may result in major [illegible] by a significant proportion of the industry," it concludes.

Cocoa pact relaunch likely today

By Alison Maitland

Cocoa-producing and consuming countries are expected today to launch a new five-year agreement to bring supply and demand into balance, despite continuing delays in signing up members.

Delegates at a council meeting of the International Cocoa Organisation (ICCO) in London yesterday were optimistic that a gathering under United Nations auspices would put the agreement into force.

The cocoa pact, agreed last July, requires the backing of [illegible] representing 80 per cent of world exports and 60 per cent of imports.

It appeared yesterday that [illegible] thresholds had still not been formally reached. It was [illegible] whether Brazil, the [illegible] largest producer, had completed membership formalities, while Italy, Portugal and Ireland on the consumer side [illegible] procedural delays in ratifying the agreement.

However, countries that have joined have the right to decide under the sponsorship of the UN Conference on Trade and Development whether to start the new agreement anyway, pending the arrival of the new [illegible].

The pact, which was due to come into effect last October, will set up management committees to control output and encourage consumption. Despite the prospect of a third or even fourth consecutive shortfall in cocoa supplies, world stocks are around 1m tonnes and the ICCO still has 180,000 tonnes of buffer stock to liquidate. World prices are about £900 a tonne, compared with £2,400 in 1984.

MARKET REPORT

Coffee rise meets resistance

COFFEE prices rose again on the London Commodity Exchange yesterday. The May futures position edged up to [illegible] at $1,250 a tonne before [illegible] $1 by the close, still up $6. Traders said sentiment was still friendly although some thought the market looked overbought and that producer selling might be attracted.

THE COCOA [illegible] cautiously [illegible] Friday's [illegible] gains in New York, which were attributed to chart-inspired fund buying. By the close the May position was £13 higher at £932 a tonne, having eased from an earlier peak of £937.

Traders said the US jump was primarily a short-covering rally and predicted more sober gains for London. "We'll probably consolidate here, we [illegible] have the [illegible] interest," one said.

Compiled from Reuter

Brazilian tin giant poses export conundrum

Patrick McCurry reports on questions raised by Paranapanema's recently-announced production cut

The drastic production cuts announced recently by Brazil's Paranapanema, the world's largest tin company, is not expected not lead to an equivalent reduction in its exports this year because of purchases of tin ore from wildcat miners.

Despite Paranapanema's denials, market analysts expect the [illegible] increase these purchases, particularly if international tin prices continue to recover.

Paranapanema announced on February 3 that it would cut its production of tin concentrates by [illegible] 50 per cent – from 12,965 tonnes last year to between 6,500 and 7,000 this year – in an attempt to reduce world tin stocks, conserve its own [illegible] push up prices. [illegible] two cuts of [illegible] per cent [illegible] year in [illegible] falling [illegible].

It said the cut would contribute to bringing down world tin stocks from 41,000 tonnes at the end of last year to 23,000 by the end of this year.

The production cut, which Paranapanema says represents about [illegible] per cent of estimated world [illegible] year, will be concentrated at the [illegible] Pitinga mine in the Amazon, [illegible] ally accounted for more than 90 per cent of the company's production and half of Brazil's.

Ms Adriana França, an analyst at the Brazilian subsidiary of London-based broker W.I. Carr, says: "Paranapanema wants to maintain its reserves at its Pitinga mine until prices are higher and increase its purchases of tin ore from wildcat miners".

Mr [illegible] Prado, Paranapanema market relations director, said in a written statement [illegible] nothing to do with the unexpected resignation of company president Dr Samuel Hanan at the end of last year. Dr Hanan is still working with P[illegible] as a consultant and resigned as president for personal reasons, according to the company.

In addition to Pitinga, Paranapanema [illegible] half of the [illegible] joint venture, which buys ore from wildcat miners at the Bom Futuro site in Rondônia state. Last year Paranapanema's share of Ebesa production [illegible] about 4,000 tonnes.

Ms França says she has been told by Paranapanema that its purchases from Bom Futuro via Ebesa will increase by 1,000 tonnes and [illegible] that the company's exports will therefore [illegible] by about 30 per [illegible]. The [illegible] media has also reported Paranapanema's [illegible] purchases from wildcat miners. However, the company is now denying that any increase is planned.

Mr Heinz Feldenheimer, a Sao Paulo-based tin trader, says [illegible] higher [illegible] to attract more wildcat miners to Bom Futuro and that Paranapanema will increase its purchases substantially: "For [illegible] sense because they don't have to invest or risk anything, they just buy from the independent miners".

Mr [illegible] also [illegible] the [illegible] ing world tin price to spur Brazilian companies to export more this year than last, even though [illegible] quota, agreed with the Association of Tin Producing Countries [illegible] October, is lower. Although Brazil is not a member of the organisation it has agreed to an export quota of 20,175 tonnes this year, compared with 24,000 last year.

Because of the closed nature of Paranapanema and its dominance of the Brazilian tin sector, [illegible] production and export statistics are difficult to obtain.

The Brazilian Tin Producers Association, whose president is a Paranapanema official, refuses to [illegible] on the company's cuts and the association says that it cannot yet release figures for Brazil's tin [illegible] exports [illegible]. However, preliminary data from the association [illegible] last year's production at 21,000 tonnes, of which [illegible] was exported – far below the 24,000 tonne quota.

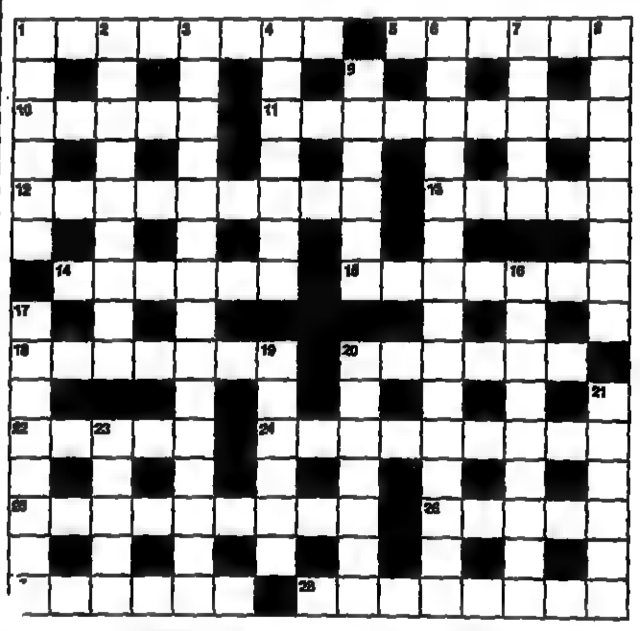
This raises questions about Paranapanema's [illegible] production of 17,000 [illegible] last year, which includes Ebesa production. According to Ms França, [illegible] per [illegible] of the company's production is for export and that would mean that Paranapanema and its share of Ebesa [illegible] tin exports.

Mr [illegible] speculates that the company could have retained stocks last year because of the low prices, which [illegible] in September. Since then the London Metal Exchange three months delivery tin price has recovered to over $5,600 a tonne, partly because of the ATPC agreement, and producers are hoping that it will [illegible] $6,500 by the end of the year.

Other tin companies are not expected to increase production to [illegible] for Paranapanema's cut, according to Mr Luiz [illegible] Bacil, [illegible]. He says his company is operating at [illegible] its 600-tonnes-a-month capacity.

CROSSWORD

No.8,386 Set by DANTE



ACROSS
- [illegible] Glance at the [illegible] – not much on (8)
- [illegible] [illegible] it if you mean to stay dry (6)
- 10 Philosopher saved in a dangerous [illegible] (5)
- 11 Such a rite is suited to a solemn sacrament (9)
- 12 Unusually chaste tie is tasteful (9)
- [illegible] Total [illegible] withdrawn [illegible] club [illegible]
- [illegible] [illegible] – or wave-maker (6)
- [illegible] Point [illegible] runner (7)
- 18 Stack of food the farmer may plunge his fork into (7)
- 20 Go away and [illegible] a relative about five (6)
- 22 Deploring turn in a circus, perhaps (5)
- [illegible] As used for writing down music? (4-5)
- 25 He played a lion-tamer plus about 100 parts [illegible]
- 26 Ring, quick, [illegible] a girl! (5)
- 27 Gloss over title in the Spanish style (6)
- 28 Biased team and what may be done about it (3-5)

DOWN
- 1 Underground route (6)
- 2 Matching gloves, for example for an accomplice [illegible]
- 3 [illegible] once [illegible] from rendering of "[illegible] Night" and "Noel" (3,8,4)
- 4 He may give a seat to someone standing (7)
- 6 Top team lose in a cup-game [illegible] March [illegible]
- [illegible] The general trend in current [illegible]
- 8 [illegible] to get [illegible]
- 9 It is suspended when it is very cold (6)
- 16 Applied no make-up, but was brilliantly arranged (9)
- [illegible] Point to Burke's accomplice, holding a cigarette, in the dock (8)
- 19 Light linked to switch [illegible]
- 20 Anitra's dance for a mechanic (7)
- 21 One in favour of half day closing [illegible]
- 23 Country raising assistance to Northern Island (5)

Solution to Saturday's prize puzzle on Saturday March 5.
Solution to yesterday's prize puzzle on Monday March 7.

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1280.5-1.5	1303-3.5
Previous	1300-1	1321-2
High/low		1318/1303
AM Official	1291.5-2.5	1312.5-3
Kerb close		1309-10
Open int.	276,014	
Total daily turnover	N/A	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1135-40	1155-60
Previous	1140-5	1160-5
High/low		1155
AM Official	[illegible]	[illegible]
Kerb close		1155-60
Open int.	[illegible]	
Total daily turnover	N/A	

■ LEAD ($ per tonne)

Close	474.5-5.5	[illegible]
Previous	485-6	498-9
High/low		494/487
AM Official	474.5-5	489-9.5
Kerb close		488-8.5
Open int.	34,390	
Total daily turnover	N/A	

■ NICKEL ($ per tonne)

Close	5830-40	5890-5
Previous	[illegible]	5990-700
High/low		5960/5880
AM Official	5870-5	5930-5
Kerb close		[illegible]
Open int.	[illegible]	
Total daily turnover	N/A	

■ TIN ($ per tonne)

Close	[illegible]	5560-60
Previous	5645-55	5640-50
High/low	5625	[illegible]
AM Official	5624-5	5620-5
Kerb close		5595-600
Open int.	20,202	
Total daily turnover	N/A	

■ ZINC, special high grade ($ per tonne)

Close	958.5-9.5	976-6.5
Previous	977.5-8.5	994-5
High/low		995/976
AM Official	963-4	980.5-1
Kerb close		977-8
Open int.	106,426	
Total daily turnover	N/A	

■ COPPER, grade A ($ per tonne)

Close	1865-6	1887-8
Previous	1885-6	1905-7
High/low		[illegible]
AM Official	1863.5-4	1886-6.5
Kerb close		1886-7
Open int.	251,747	
Total daily turnover	N/A	

Base metals continued

■ LME AM Official £/$ rate: 1.4755
LME Closing £/$ rate: [illegible]

Spot: 1.4742 3 mths: 1.4699 6 mths: 1.4651 9 mths: 1.4625

US MARKETS
February 21: The U.S. Commodity markets were closed for Presidents Day.

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	380.10-380.50	
Opening	380.10-380.50	
Morning fix	379.75	256.987
Afternoon fix	380.30	257.161
Day's High	380.20-380.60	
Day's Low	379.50-379.90	
Previous close	378.30-378.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.00	6 months	3.16
2 months	3.03	12 months	3.32
3 months	3.08		

Silver Fix	p/troy oz.	US cts equiv.
Spot	351.10	518.00
3 months	356.35	522.30
6 months	358.30	526.70
1 year	367.25	536.90
Gold Coins	$ price	£ equiv.
Krugerrand	381-384	258-261
Maple Leaf	390.15-392.65	
New Sovereign	90-93	61-64

ENERGY

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Open int	Vol
Apr	13.16	[illegible]	[illegible]	13.05	68,365	8,901
May	13.31	+0.03	[illegible]	[illegible]	26,270	[illegible]
Jun	13.51	+0.03	[illegible]	[illegible]	12,048	[illegible]
Jul	13.58	-0.03	13.70	[illegible]	9,228	264
Aug	13.75	[illegible]	[illegible]	[illegible]	[illegible]	50
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					119,936	9,624

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	-0.75	[illegible]	[illegible]	25,601	4,763
Apr	[illegible]	-0.75	[illegible]	[illegible]	[illegible]	1,518
May	137.00	-0.75	138.25	[illegible]	[illegible]	710
Jun	[illegible]	-0.75	139.75	[illegible]	[illegible]	402
Jul	139.75	-0.75	141.00	140.00	10,261	322
Aug	142.25	-0.50	143.00	142.25	4,663	125
Total					[illegible]	8,486

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	+0.50	100.30	100.30	726	68
May	[illegible]	+0.65	[illegible]	101.40	[illegible]	[illegible]
Jul	[illegible]	+0.75	[illegible]	[illegible]	[illegible]	122
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nov	90.45	[illegible]	90.60	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	93.35	-0.15	93.40	93.30	[illegible]	[illegible]
Total					4,476	487

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	103.40	-0.35	104.00	104.00	389	14
May	103.95	-0.20	[illegible]	[illegible]	184	14
Sep	[illegible]	[illegible]	92.00	92.00	113	12
Nov	[illegible]	[illegible]	93.90	[illegible]	34	20
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					743	46

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	165.0				34	
Apr	[illegible]	-0.1	111.0	[illegible]	1,753	66
May	[illegible]	-0.5	125.5	[illegible]	580	40
Jun	130.0				3	
Nov	[illegible]				[illegible]	
Mar	[illegible]				[illegible]	
Total					2,777	108

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	[illegible]	[illegible]	1132	1132	132	3
Mar	1145	-5	1145	1140	343	9
Apr	1210	-1	1210	1204	1,274	32
Jul	1100	[illegible]	[illegible]	[illegible]	330	10
Oct	1250	-3	[illegible]	1240	243	1
Jan	1265	-5			74	
Total					2,626	153

SOFTS

■ [illegible] LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	918	+12	[illegible]	906	18,176	2,127
May	933	+14	[illegible]	920	21,494	2,537
Jul	941	+11	[illegible]	933	11,868	484
Sep	953	+10	954	944	11,121	172
Dec	957	+15	[illegible]	958	15,692	873
Mar	964			967	25,150	557
Total					119,399	6,686

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	+10	1243	1232	5,081	774
May	[illegible]	+6	[illegible]	1238	15,612	1,512
Jul	[illegible]	+4	[illegible]	1233	7,536	746
Sep	[illegible]	+3	1245	1234	2,416	309
Nov	[illegible]	+11	1241	1238	3,157	48
Jan	1242	+8	1240	1235	3,946	82
Total					38,664	3,478

Softs continued

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	11.24	[illegible]	-	-	[illegible]	-
May	11.89	[illegible]	11.65	[illegible]	[illegible]	5
Jul	11.98	-0.14	12.00	12.00	2,853	20
Oct	11.45	-0.17	-	-	130	-
Total					[illegible]	[illegible]

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	[illegible]	-2.70	313.00	310.50	7,139	332
May	306.20	-3.00	310.80	305.20	3,132	182
Aug	294.40	-2.40	296.00	291.20	2,842	18
Oct	282.20	-2.70	283.60	281.00	197	6
Dec	282.40	-3.00	283.00	281.00	111	10
Mar	[illegible]	-2.90				
Total					[illegible]	[illegible]

Tea
Landed teas met strong demand, reports the Tea Brokers' Association. The small quantity of Assams on offer readily featured [illegible] to dearer but closed about steady. Brighter liquoring ceylons moved 3 to 5p higher while prices for most others were irregularly lower. Offshore good demand. Brighter teas appreciated 3 to 5p and plainer types also at last levels. Quotations: quality 190p/kg, good medium 110p/kg, medium 110p/kg, low medium 84p/kg.

LONDON TRADED OPTIONS

Strike price $ tonne	Calls Apr	Calls Jul	Calls Sep	Puts Apr	Puts Jul	Puts Sep
■ ALUMINIUM ([illegible]) LME						
1275	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1325	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COPPER (Grade A) LME						
1800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1850	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
■ COFFEE LCE	May	Jul		May	Jul	
1200	74	90	25	46		
1250	46	67	47	73		
1300	27	46	76	104		
■ COCOA LCE						
875	76	90	18	24		
900	59	74	26	33		
925	45	60	37	44		
■ BRENT CRUDE IPE	Apr	May		Apr	May	
1350	26	58	60	75		
1400	12	38	96	105		
1450	7	23	141	142		

LONDON SPOT MARKETS

■ CRUDE OIL, FOB (per barrel/Apr)

		+or-
Dubai	$12.20-2.26w	-0.145
Brent Blend (dated)	$13.04-3.06	-0.015
Brent Blend (Apr)	$13.14-3.16	-0.09
W.T.I. (1pm est)	N/A	

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$153-155	-1.5
Gas Oil	[illegible]	+0.5
Heavy Fuel Oil	$77-79	-0.5
Naphtha	$132-134	+0.5
Jet Fuel	$156-158	+0.5
[illegible]		

■ OTHER

Gold (per troy oz)♣	$380.10	+[illegible]
Silver (per troy oz)♣	[illegible]	+2.5
Platinum (per troy oz.)	[illegible]	-0.75
Palladium (per troy oz.)	[illegible]	[illegible]
Copper (US prod.)	92.0c	
Lead (US prod.)	35.00c	
Tin (Kuala Lumpur)	15.14m	-0.01
Tin (New York)	259.50c	
Zinc (US Prime W.)	Unq.	
Cattle (live weight)	124.81p	-0.77*
Sheep (live weight)†♦	121.07p	-7.23*
Pigs (live weight)	[illegible]	-1.79*
Lon. day sugar (raw)	$274.30	[illegible]
Lon. day sugar (wte)	[illegible]	+2.20
Tate & Lyle export	[illegible]	+2.50
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	[illegible]	
Wheat (US Dark North)	[illegible]	
Rubber (Mar)♥	64.00p	+0.25
Rubber (Apr)♥	64.25p	[illegible]
Rubber (KL RSS No1 Feb)	236.00m	-1.00
Coconut Oil (Phil)§	[illegible]	+2.5
Palm Oil (Malay)§	[illegible]	[illegible]
Copra (Phil)§	[illegible]	
Soyabeans (US)	[illegible]	
Cotton Outlook A index	[illegible]	[illegible]
Wooltops (64s Super)	377p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Feb/Apr w Apr. z Mar. ♥ London Physical. † Apr/May. § CIF Rotterdam. ♣ Bullion market close. ♦ Sheep (Live weight prices). * Change on week, provisional prices.

INDICES

■ REUTERS (Base: 18/9/31=100)

Feb 21	Feb 18	month ago	year ago
1782.9	1782.7	1707.5	1774.2

■ CRB Futures (Base: 4/9/56=100)

Feb 18	Feb 17	month ago	year ago
227.31	226.56	225.28	202.73

LONDON STOCK EXCHANGE

MARKET REPORT

Support levels regained in spite of late setback

By Terry Byland, UK Stock Market Editor

The London stock market struggled hard yesterday to hold on [redacted] its nearest support levels as confidence was challenged by a [redacted] sell-off in European government bond markets after the strike talks at [redacted] Metall, the German steel group, took an aggressive turn. The FT-SE [redacted] Index closed 32.3 down at [redacted], having dipped through the support level to touch 3,347.9 as both [redacted] index futures and UK gilts fell sharply in late dealings.

Trading in the London market was inhibited by the public holiday closure of Wall Street yesterday and by uncertainty ahead of today's testimony to Congress by Mr Alan Greenspan, head of the Federal [redacted] Board, [redacted] he [redacted] expected to spell out his views on inflationary pressures [redacted] the [redacted] economy.

UK stocks opened lower but the initial fall [redacted] nearly 30 points on the FT-SE 100, leaving the [redacted] for the moment, was reduced [redacted] points [redacted] the March future on the index rallied from its early loss.

With the big institutions unwilling to sell stock until Wall Street returns to normal trading, probably tomorrow, share prices steadied and the market traded calmly in modest turnover for most [redacted] the [redacted]. Once again, the setback in equities [redacted] a withdrawal of buyers rather than an increase in selling [redacted].

The shock came very late in the day, when the March contract on the Footsie dropped to around 3,330, a significant [redacted] against [redacted] stock market, as the IG Metall news provoked [redacted] selling of bonds in Germany and the UK. The fall was prompted by an extension [redacted] in British government bonds which left longer dated issues with falls ranging to around [redacted] of a point.

Account Dealing Dates		
*First Dealings: Feb 14	[redacted]	Mar 14
Option Declarations: Feb 24	Mar 10	Mar 24
Last Dealings: Feb 25	Mar 11	[redacted]
Account Day: Mar [redacted]	Mar 21	Apr 5

*New time dealings may take place from two business days earlier.

The FT-SE 100 Index last traded below 3,350 on December 21, so any further slide from last night's close will finally wipe out [redacted] scored in the surge in the index at the beginning of this year. Interest rate prospects have been the principal factor in the market.

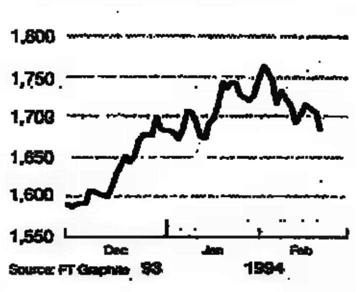
Traders stressed that uncertainty, rather than bearishness, [redacted] the keynote of the day. This week also offers a heavy list of trading statements from leading British companies, with Unilever and SmithKline Beecham leading the way today, and ICI and British Aerospace [redacted] lowing later in the week.

Hopes that British base rates can still be reduced soon in spite of the latest rise in rates across the Atlantic were shaken by the renewed selling in European bond markets yesterday. "A steadier trend in bond prices is a prerequisite for any [redacted] in share prices," was the blunt comment from one leading [redacted].

Although [redacted] uncertainty spread across equities yesterday, bringing a fall of 41.6 points in the FT-SE Mid [redacted] Index to a closing level of [redacted] trading volumes indicated no overall threat [redacted] present [redacted] market confidence. Seaq [redacted]ume dipped to 506.1m shares from Friday's 630.9m.

[redacted] of retail, or customer, business in equities, which has been falling [redacted] over the past week, stood at only £1.3bn on Friday, well below the levels of a fortnight ago, albeit still a satisfactorily profitable level for [redacted] London-based securities industry. [redacted] remain [redacted] that [redacted] UK authorities will [redacted] trim domestic base rates again shortly and hope that France will set the lead to lower [redacted] in [redacted] near future.

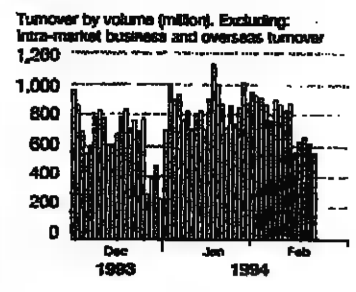
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Key Indicators

Indices and ratios

FT-SE 100	3350.3	[redacted]	FT Ordinary index	2585.8	-21.1
FT-SE Mid 250	[redacted]	-41.6	FT-SE-A Non Fins p/e	[redacted]	(22.86)
FT-SE-A 350	[redacted]	[redacted]	FT-SE 100 Fut Mar	3332.0	-36.0
FT-SE-A All-Share	[redacted]	[redacted]	10 yr Gilt yield	[redacted]	[redacted]
FT-SE-A All-Share yield	[redacted]	[redacted]	Long gilt/equity yld ratio:	[redacted]	[redacted]

Best performing sectors		Worst performing sectors	
1 Printing, Paper & Pckg	+0.1	1 Extractive Industries	-2.8
2 Oil Exploration	-0.1	2 Electricity	-2.4
3 Engineering, Vehicles	-0.2	3 Merchant Banks	-1.8
4 Pharmaceuticals	-0.2	4 Breweries	-1.8
5 Leisure & Hotels	-0.3	5 Spirits, Wines	-1.7

Switch lifts Bowater

The paper and packaging [redacted] a [redacted] in [redacted] after UBS, [redacted] house, [redacted] investors [redacted] switch holdings from Bunzl [redacted]. The former dipped 4 to 178p while the latter resisted the overall market trend to rise 7½ [redacted] 483½p.

The Swiss house argued that, after a fall of 40p over the past month, Bowater was on an undeservedly low market rating. [redacted] told [redacted] a [redacted] with long-term growth prospects and [redacted] acquisitions [redacted] above-average growth markets".

Alternatively, [redacted] Bunzl's [redacted] price has already taken [redacted] board [redacted] in paper prices [redacted] that the company [redacted] make both a rights [redacted] acquisitions if it [redacted] maintain [redacted] premium rating.

Cider activity

A profits warning from Merrydown sent the cider group's [redacted] tumbling [redacted] 159p. It [redacted] prompted speculation [redacted] tempted into a bid [redacted] rydown [redacted] a downturn in [redacted].

Analysts, [redacted] had been expecting a doubling [redacted] profits to [redacted] £3.5m, pulled back to [redacted] mark. Although initially hit by [redacted] the other [redacted] recovered [redacted] market [redacted] problems [redacted] specific [redacted] Merrydown. Taunton finished 7 adrift [redacted] 162p, [redacted] H.P. Bulmer declined 5 to 449p.

The regional electricity companies (recs) remained under heavy downside pressure. Dealers said worries about a potential 40 per cent hit on pre-tax profits [redacted] the distribution review, expected [redacted] in July, was behind the slide in the share prices.

On the plus side for the recs, however, were hints that there could [redacted] news later this month of the sell-off of the recs' shareholdings in the National Grid. These range from 5 per cent to 12 per cent.

The biggest losses in the sector were recorded by Manweb, which dropped 31 to 744p, and London and Norweb, down 27 apiece to 636p and 699p.

Broker [redacted] ahead of tomorrow's full-year figures from British Aerospace helped [redacted] bounce 5 [redacted], making it among a handful [redacted] that moved against the poor market trend.

The [redacted] is expected [redacted] report [redacted] because of [redacted] £250m provision, but substantial improvement [redacted] expected [redacted] underlying [redacted]formance. [redacted] Turnbull [redacted].

Sentiment [redacted] further [redacted] by reports [redacted] would [redacted] £50m property sale, and news that airline Cathay [redacted] firmed up [redacted] from Airbus Industrie, in which BAe has a 20 per cent stake.

Anglo-Dutch food giant Unilever slipped [redacted] of full-year figures [redacted] today, on concern that [redacted] might [redacted] hefty restructuring charges. Speculation has focused on [redacted] company's US detergents business, which operates in a highly competitive market, and in which Procter & Gamble, Unilever's arch rival, has already disclosed substantial provisions. Analysts' forecasts for today's profits figures from Unilever range from £2.250bn to £2.335bn. The shares ended 7 off at 1199p.

Shares in Thorn EMI [redacted] all-time high ahead of today's third-quarter [redacted] Securities drew investors' attention to the group's multi-media potential. In the light of several recent deals in the sector, the most recent being the $10bn Paramount deal in the US, the [redacted] believes Thorn [redacted] be undervalued.

Mr Jason Holden, sector analyst at [redacted], said: "Thorn's music interests offer prime access to the rapid growth of 'superhighways' in the new multi-media era. The market has underestimated the potential for a rerating." The [redacted] 1138p.

[redacted] ICI fell 14 to [redacted] as a number of analysts repeated [redacted] on the company ahead of full-year figures expected on Thursday. Kleinwort Benson [redacted] as a sell and anticipates fourth-quarter profits [redacted] to give an annual figure of [redacted]. [redacted] Securities, [redacted] Capel and Hoare Govett [redacted] similarly gloomy.

Pharmaceuticals group Glaxo firmed [redacted] trend as the closure of the [redacted] market [redacted] congregated, gave [redacted] a chance.

SmithKline Beecham "A" held steady at 406p ahead of today's full-year figures. Hoare Govett's forecast of £1.22bn is at the high end of the range, but Lehman Brothers, the US house, cut its estimate to £1.18bn from £1.21bn because of what it considers disappointing third-quarter sales.

Wellcome failed to respond to positive reports on its anti-Aids treatment. A federally financed study found that AZT dramatically reduced the transmission of the Aids virus from infected mothers to their new-borns, a US newspaper reported. However, Wellcome receded [redacted].

In a sagging property sector, Land Securities retreated 17 to 723p amid talk of one broker cutting its net asset value forecasts. British Land fared slightly better, off 4 at 428p, as it announced a deal to buy a 29.9 per cent stake in Stan[redacted] the indebted developer.

The news lifted Stanhope 14 to [redacted] on hopes that its refinancing discussions with [redacted] banks might be [redacted] British Land link.

One of the market's [redacted] tried unsuccessfully [redacted] place a block of 2m Royal Insurance shares in the market [redacted] Royal lost 8 at [redacted].

BT was weakened by a [redacted] published by Credit Lyonnais Laing, the French-owned stockbroker, which forecast a slowing [redacted] of the rate of dividend growth.

CLL said cost-cutting [redacted] at BT "will be [redacted] to offset the assault on revenues". BT shares declined 7½ to 441½p and the "new" [redacted] 10p.

The oil and gas sectors [redacted] of crucial results [redacted] with British Gas and Shell both reporting on Thursday.

Action in the [redacted] market [redacted] on BP and Shell, with [redacted] funds said to have been switching out of Shell and into BP. The latter have fallen sharply against the FT-Actuaries All-Share Index recently and also against Shell.

BP closed [redacted] up at [redacted] on turnover of 7.1m. Shell fell [redacted] to [redacted] on 3.9m traded. The market range of [redacted] net income for Shell is said to range from £740m to £990m.

MARKET REPORTERS: Christopher Price, Peter John, Joel [redacted], Steve Thompson.

■ Other statistics, Page 25

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS ([redacted]). BUILDING & CNSTRN (3) Ashtead, Britannia, Tay Homes, BLDG MATLS & MCHTS (3) Alumasc, Gibbs Dandy A, Wilshaw, CHEMICALS (2) Akzo, Croda Intl., DISTRIBUTORS (3) Bletchley Motor, Dagenham Motors, Wills, DIVERSIFIED INDLS [illegible]

EQUITY FUTURES AND OPTIONS TRADING

Renewed selling of the Footsie futures contract in the closing minutes of the session cut short attempts at a rally, indicating [redacted] sell-off today, *writes Joel [redacted]*.

The March contract on the FT-SE 100 opened sharply down at 3,358 but well above the worst fears. The continued depression in global bond markets, along with continued fears on US inflation, brought further selling of the contract and it fell through its recent support level of 3,342.

Although [redacted] at the lower levels over the lunchtime period, it traded at a [redacted] to cash throughout the session, pulling the underlying cash market lower.

An attempted rally in the last hour petered out after another retreat [redacted] UK gilts and German bonds brought a further sell-off. March closed at 3,332, a 17-point discount to cash and around 10 points below its fair value premium to cash of about minus 7. [redacted] at the official close stood at 14,736 [redacted].

In traded options, most of the activity was carried out in the index option. Of [redacted] day's total [redacted] 35,745, some 14,525 were dealt in the FT-SE 100 option and 6,312 in the Euro FT-SE 100 option. British Steel was the busiest stock option with a total of 4,313 contracts.

In the FT-SE Mid 250 futures contract on the OMLX, a mere 105 lots were transacted.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

	Open	Sett price	[redacted]	High	[redacted]	Est. vol	Open int.
Mar	3358.0	3332.0	[redacted]	3368.0	3320.0	[redacted]	59559
Jun	[redacted]	[redacted]	-36.0	3377.0	3350.0	3156	12724
Sep		3366.0	-36.0			-	390

Contract traded on APT. Open interest figures are for previous day.

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Volume	Open int.
Mar	4,015	3,990	-25.0	4,015	4,005	105	2,758
Jun		4,005.5					

All open interest figures are for previous day.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3350) £10 per full index point

	3200 C	3200 P	3250 C	3250 P	[redacted] C	[redacted] P	[redacted] C	[redacted] P	3400 C	3400 P	[redacted] C	[redacted] P	[redacted] C	[redacted] P	3550 C	3550 P
[redacted]	183½	18½	[redacted]	31	[redacted]	47	83	70½	32	100½	18	140	10	181½	5	[redacted]
Apr	171½	41	[redacted]	54½	105	[redacted]	78½	[redacted]	58	125	[redacted]	157½	[redacted]	194	18½	[redacted]
[redacted]	197	58	161	72	131½	91½	102½	[redacted]	69½	140½	[redacted]	189½	[redacted]	205	32	[redacted]
Jun	211½	89½	177½	89½	149½	105	119½	[redacted]	98	154½	78½	182½	[redacted]	218½	47½	[redacted]
Dec†	288	122½			224½	159			174	208			139	260		

Calls 6,322 Puts 7,700

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	[redacted] C	[redacted] P	3225 C	3225 P	3275 C	3275 P	3325 C	3325 P	3375 C	3375 P	3425 C	3425 P	3475 C	3475 P	3525 C	3525 P
Mar	[redacted]	15	128½	[redacted]	94½	57½	63½	53½	41½	81½	24	118½	[redacted]	154½	7	188½
[redacted]	192	35½	152	[redacted]	[redacted]	84	89	81½	69½	109	[redacted]	137½	32	173½	29	211
May			182½	[redacted]			120	105			72½	153½			[redacted]	220
Jun			192	72½			138	112			87	164			84	229½
Sept†			228½	98			179½	139½			128	184½			88	[redacted]

Calls 3,705 Puts 2,517 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3950		4000		4050		4050		4100		4150		4250	4300
Mar	60½	77.3	72	40½	100	25½	134	14½	174	8.8	207	5½	3	
Apr	78		99½	72	182	51½	183	37½		27½		18	[redacted]	

Calls [redacted] Puts [redacted] Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ Major Stocks yesterday

	[redacted] 000s	[redacted] price	[redacted] change
ABDA Group†	10,000	99½	+¼
Abbey National†	2,300	614	+1
Albert Fisher	229	67	-1
Allied-Lyons†	1,100	607	-13
Anglian Water†	1,100	582	-2
Argos	[redacted]	[redacted]	[redacted]
Argyll Group†	3,200	283	[redacted]
Arjo Wiggins†	582	258	+1
Assoc. Brit. Foods†	[redacted]	549	-3
Assoc. Brit. Ports	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

FT-SE Actuaries Share Indices — The UK Series

	Feb 21	Day's chge%	Feb 18	Feb 17	Feb 16	[redacted]	Div. yield%	Earn. yield%	P/E [redacted]	Xd adj. [redacted]	Total [redacted]
FT-SE 100	[redacted]	-1.0	3382.5	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	6.29	[redacted]
FT-SE Mid 250	[redacted]	-1.0	[redacted]	[redacted]	[redacted]	3049.0	[redacted]	[redacted]	[redacted]	[redacted]	1448.51
FT-SE Mid 250 ex Inv Trusts	4002.1	-1.0	[redacted]	4070.6	[redacted]	[redacted]	3.16	6.14	[redacted]	[redacted]	[redacted]
FT-SE-A 350	[redacted]	-1.0	1712.4	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FT-SE SmallCap	[redacted]	-0.5	2078.37	2080.21	2076.05	1527.29	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FT-SE SmallCap ex Inv Trusts	[redacted]	-0.5	2057.05	2057.33	2053.11	1531.25	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
FT-SE-A ALL-SHARE	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FT-SE [redacted] All-Share

	Feb 21	Day's chge%	Feb 18	Feb 17	Feb 16	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	[illegible]										
12 Extractive Industries(6)	[illegible]										
15 Oil, Integrated(3)	[illegible]										
16 Oil Exploration & Prod(11)	[illegible]										
20 GEN MANUFACTURERS(254)	[illegible]										
21 Building & Construction(31)	[illegible]										
22 Building Matls & Merchs(30)	[illegible]										
23 Chemicals(20)	[illegible]										
24 [redacted] Industrials(16)	[illegible]										
25 [redacted] Equip(34)	[illegible]										
26 Engineering(72)	[illegible]										
27 Engineering, Vehicles(12)	[illegible]										
28 Printing, Paper & Pckg(27)	[illegible]										
29 Textiles & Apparel(22)	[illegible]										
30 CONSUMER GOODS(93)	[illegible]										
31 Breweries(17)	[illegible]										
32 [redacted]	[illegible]										
33 Food Manufacturers(23)	[illegible]										
34 Household Goods(12)	[illegible]										
36 Health [redacted]	[illegible]										
37 Pharmaceuticals(10)	[illegible]										
38 [redacted]	[illegible]										
40 SERVICES(220)	[illegible]										
41 Distributors(31)	[illegible]										
42 Leisure & [redacted]	[illegible]										
43 Media(38)	[illegible]										
44 [redacted]	[illegible]										
45 [redacted] General(43)	[illegible]										
48 Support Services	[illegible]										
49 Transport(16)	[illegible]										
51 Other [redacted] & Business(12)	[illegible]										
60 UTILITIES(36)	[illegible]										
62 Electricity(17)	[illegible]										
64 Gas Distribution(2)	[illegible]										
66 Telecommunications(4)	[illegible]										
68 Water(13)	[illegible]										
69 NON-FINANCIALS(631)	[illegible]										
70 FINANCIALS(105)	[illegible]										
71 Banks(10)	[illegible]										
73 [redacted]	[illegible]										
74 Life Assurance(6)	[illegible]										
75 [redacted]	[illegible]										
77 Other Financial(25)	[illegible]										
79 Property(40)	[illegible]										
80 INVESTMENT TRUSTS(119)	[illegible]										
89 FT-SE-A ALL-SHARE(855)	[illegible]										

■ Hourly movements

	Open	[redacted]	10.00	11.00	12.00	13.00	14.00	[redacted]	16.10	High/day	Low/day
FT-SE 100	[illegible]										
FT-SE Mid 250	[illegible]										
FT-SE-A 350	[illegible]										

Time of FT-SE 100 High 10.36am Low 4.20pm

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]											-9.5
Pharmaceuticals	[illegible]											-7.3
Water	[illegible]											-11.8
[illegible]	[illegible]											-27.5

[illegible]

LONDON EQUITIES

LIFFE EQUITY OPTIONS

[illegible]	[illegible]

* Underlying security price. Premiums shown are based on closing offer prices. February 21, Total contracts: 35,165 Calls: 12,257 Puts: [illegible]

FT GOLD MINES INDEX

	Feb 18	% chg on day	Feb 17	Feb 16	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2625.54	-2.1	2669.03	2088.66	1141.23	1.84	2367.46	1129.27
■ Regional indices								
Africa (19)	2696.35	-3.2	2785.60	2609.95	1332.81	5.07	3440.80	1242.59
Australasia (8)	2586.94	-1.8	2634.61	2526.05	1145.16	1.40	3013.59	1145.16
North America (11)	1746.18	-1.8	1775.30	1782.76	1087.56	0.54	2039.65	1075.54

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	[redacted]
British Funds	1	67	8
Other Fixed Interest	2	4	9
Mineral Extraction	27	109	[redacted]
General Manufactures	67	241	[redacted]
Consumer Goods	19	71	103
Services	52	188	[redacted]
Utilities	3	[redacted]	9
Financials	49	[redacted]	[redacted]
Investment Trusts	23	299	[redacted]
Others	34	60	32
Totals	277	1,284	1177

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	March 21	Last [redacted]	June 2
Last Dealings	March 4	For settlement	[redacted]

Calls: African Lakes, Amberley, Aminex, Bardon, Beaufort, Betterware, BM Group, Cannon St., Division Grp., Ennex Intl., Greenwich Res., Ibstock Johns. Wts., Kalis Minerals, Microfocus, Millwall, Rodime, Scot. Natl. Cap., Wilshaw Put: Bardon Puts & Calls: African Lakes, Amberley, Betterware, Carlisle, Division Grp., Ennex Intl.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap [redacted]	1993/94 High	[redacted]	[redacted]	[redacted] price p	+/-	[redacted]	Div. cov.	Grs yld	P/E net
[redacted]	F.P.	[redacted]	176	163	Alpha Airports	169	-1	RN4.03	2.2	3.0	[redacted]
[redacted]	F.P.	[redacted]	182	151	[redacted]	151		-	-	-	-
150	F.P.	[redacted]	[redacted]	150	Clinical Computing	[redacted]	-10	-	-	-	[redacted]
235	F.P.	[redacted]	268	250	[redacted]	265		WN2.0	[redacted]	0.9	[redacted]
[redacted]	F.P.	6.49	[redacted]	108	Comp Fin Sol	138	-8	N-	-	-	[redacted]
60	P.P.	[redacted]	58	55	Energy Capital	56		-	-	-	-
-	-	1.01	28	8	Do Warrants	28		-	-	-	-
100	F.P.	61.1	[redacted]	94	Herald Inv Tst	94		-	-	-	-
-	F.P	6.11	[redacted]	45	Do [redacted]	47		-	-	-	-
50	[redacted]	[redacted]	[redacted]	42	[redacted] Euro Pvt	[redacted]	-½	-	-	-	-
-	F.P.	38.0	49	38	Do Warrants	38	-1½	-	-	-	-
50	F.P.	20.0	52	49	[redacted] Inv Tst	50		-	-	-	-
-	F.P.	[redacted]	28	25	Do Warrants	27		-	-	-	-
-	F.P.	[redacted]	93	83	Pantheon Wrts	88		-	-	-	-
110	F.P.	37.3	[redacted]	122	[redacted] Intl	125		RN3.0	1.8	3.0	24.5
[redacted]	F.P.	13.4	[redacted]	122	Slimma	142		[redacted]	2.5	3.3	[redacted]
100	F.P.	[redacted]	98	91½	Taiwan Inv	[redacted]	-1	-	-	-	-
-	F.P.	4.05	52	43	Do Warrants	45		-	-	-	-
-	F.P.	0.48	[redacted]	9	Thornton P.E. Wts.	12		-	-	-	-
-	[redacted]	3.06	52¼	51	Do. Zero Div. Pf.	51	-¼	-	-	-	-
200	F.P.	[redacted]	216	191½	Trifast	215		[redacted]	2.2	3.3	17.7

† Introduction. § Placing price. F.P. Fully-paid security. For an explanation of other notes, please refer to the Guide to the London Share Service.

RIGHTS OFFERS

Issue [redacted] p	Amount [redacted] up	[redacted] Renun. [redacted]	1993/94 High	Low	[redacted]	[redacted] price p	[redacted]
20	Nil	11/3	[redacted]	15pm	Beaufort	15pm	
25	Nil	21/3	12pm	2pm	‡Beckenham Grp	2pm	
120	Nil	16/3	112pm	103pm	Berisford	112pm	
11	Nil	28/2	21½pm	15½pm	Carlisle	21½pm	[redacted]
53	Nil	23/1	[redacted]	[redacted]	Spring Ram	21pm	[redacted]
275	Nil	25/3	44pm	[redacted]	Stanley Leis.	44pm	
[redacted]	Nil	[redacted]	[redacted]	17pm	Utility Cable	29½pm	+1½
[redacted]	Nil	25/2	12pm	[redacted]	Worthington	10pm	

pm Price at a premium.

FINANCIAL TIMES EQUITY INDICES

	Feb 21	Feb [redacted]	Feb 17	Feb 16	Feb 15	Yr ago	*High	*Low
Ordinary Share	2585.8	2606.9	[redacted]	[redacted]	2606.6	[redacted]	2713.6	2124.7
Ord. div. yield	[redacted]	3.53	3.50	[redacted]	3.53	[redacted]	4.52	3.43
Earn. yld. % full	[redacted]	[redacted]	3.82	3.82	3.86	[redacted]	6.39	3.82
P/E ratio net	[redacted]	[redacted]	[redacted]	33.43	33.05	21.46	[redacted]	19.40
P/E ratio nil	30.25	30.46	30.76	30.80	30.46	19.71	30.80	18.14

*For 1993/94. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

[redacted]	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2587.0	2586.8	2600.1	2600.2	2592.0	2589.8	2591.8	2591.1	2588.5	2601.0	2585.0

	Feb 21	Feb 18	Feb 17	Feb [redacted]	[redacted] 15	Yr ago
SEAQ [redacted]	[redacted]	29,692	30,345	31,314	[redacted]	[redacted]
Equity turnover (£m)†	-	1300.2	1404.3	1622.5	1621.0	1181.6
Equity bargains†	-	33,319	33,548	35,863	33,606	[redacted]
[redacted] traded (ml)†	-	566.8	617.1	[redacted]	631.3	506.1

† Excluding intra-market business and overseas turnover.

BANKS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl		£24¼	-⅛	£25¼	£18¼	6,794	4.3	12.9
ANZ A$		256	-7½	278¼	130	3,349	3.5	20.1
Abbey National	†□	314	+1	526	345	6,738	2.9	18.8
Allied Irish I£	‡†N□	278	-2	314	179	1,891	3.7	14.2
Anglo Irish I£	‡N□	69	—	70	28	99.7	6.5	12.1
Asahi Y		728¼	+10¼	844	415	10,852	0.6	—
Banco Bil Viz Pta		£16½	+⅛	£17⅞	£13⅞	3,735	5.1	7.3
Banco Sant Pta		£34⅞	—	£36	£24½	3,847	3.9	13.2
Bank Leumi (UK)		480	—	480	325	34.9	5.8	ф
Bk Ireland I£	‡azn□	280	-3	*319	177	1,319	4.5	20.7
Bank Scotland	‡†□	224	-2	247	116½	2,607	2.6	30.4
9¼pc Pf		134½	-2¼	141½	117⅞	134.6	8.6	—
9¾pc Pf		141¼	-2¼	149½	123½	141.2	8.6	—
Barclays	†N□	677½	+½	652	362	9,372	2.7	—
Dai Ichi Kan Y		£12⅛	+⅛	£15⅞	£8⅞	38,742	0.4	68.7
Deutsche DM		£322⅞	-2⅝	£340⅞	£250½	15,382	1.9	—
Espirito Santo		£24⅞	-⅛	£29⅛	£16½	258.9	3.3	5.8
First Nat Fin	N□	68xd	—	*95	45	146.7	2.1	—
6.3pc Cv Pf		90	—	*91	55	6.65	8.7	—
7pc Cv Pf		167	-1	171	106	79.2	5.2	—
Fuji Bank Y		1403¾	+3¾	1851	876	40,843	0.4	—
HSBC HK	†□	1001½	-10½	1133	474	17,085	2.5	24.0
HSBC (75p Shs)	†□	977	-13	1113	490	8,071	2.6	23.4
Lloyds	‡N□	581xd	-6	690	452	7,594	4.7	12.5
Mitsubishi Y		£18⅛	-⅛	£19¾	£11⅞	52,930	0.3	—
Mits Tst & Bk Y		878½	-11	1012½	462½	11,440	0.6	14.1
Mitsui Tst & Bk Y		693¼	—	692	374	8,312	0.8	23.6
Nat Aust A$		578	-3¼	628⅞	322	7,573	4.1	14.0
NatWest	†□	536	-3	634	398	8,908	4.1	32.6
Ottomane FFr		£30½	—	£33	£22¼	152.5	4.9	8.9
Ryl Bk Scotland	‡N□	479xd	-11	528	207	3,760	2.9	21.4
Sakura Y		£9⅞	+⅛	£11	£5¾	31,393	0.5	39.5
Sanwa Y		£14⅛	+⅛	£16	£7¾	40,900	0.4	—
Standard Chartd	†□	1274	-28	1437	578	3,057	2.0	—
7 3/8pc Prf		99xd	-1¼	108½	99	99.0	9.3	—
Sumitomo Y		£13⅞	+⅛	£18¼	£8⅞	43,475	0.4	—

[illegible]

BUILDING MATS. & MERCHANTS - Cont.

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
Titan	‡N	220	—	240	150	24.6	2.4	18.[illegible]
Travis Perkins	□	335	-4	370	168	342.4	3.0	59.[illegible]
Tudor	‡	21	—	28	21	2.29	1.5	[illegible]
Unigroup	□	39½	+½	76	11½	12.2	—	[illegible]
Waterhouse	‡	45	—	45	25	1.07	—	[illegible]
Wickes	□	119	-3	*129	76	441.8	—	[illegible]
Witham	†N□	47	+3	47	17	38.8	1.1	[illegible]
Wolseley	‡N□	884	-5	920	533	2,300	1.5	29.[illegible]

CHEMICALS

	Notes	Price	+ or -	1993/94 high	low	Mkt Cap£m	Yld Gr's	P/E
AGA SKr		£38⅞	+2⅛	£42⅛	£28⅝	822.3	1.9	21.8
Akzo Fl		£75½	+⅛	£76⅛	£47⅞	3,477	3.1	14.7
Allied Colloids	†N□	277	-2	289	210	729.1	2.0	25.6
Amber Ind	†N	745	—	745	345	28.2	3.2	17.1
BASF DM		£115½	+⅛	£119½	£83¼	8,782	5.5	—
BOC	‡N□	700	+2	770	590	3,382	4.1	27.6
BTP	‡†N□	347	—	*373	199	498.4	3.4	27.9
Bayer DM		£141⅛	[illegible]	£144⅛	£101¼	9,478	3.7	—
Brent	N□	122	—	165	93	82.3	7.6	11.2
British Vita	†□	291	—	298	215	627.0	3.1	17.9
Cambridge Ino $	‡	22	—	34	21	2.87	—	—
Canning (W)	‡□	179	—	190	128	59.7	5.1	20.5
Cowenthone	‡N	101	—	109	85	22.2	3.3	46.5
Warrants		45	—	48	28	0.39	—	—
Courtaulds	†N□	490	-8	609	421	1,609	3.6	12.3
Croda	†N□	375½	+½	377	228	494.2	2.6	21.6
DeeRex	‡	132	—	149	103	14.0	4.4	10.1
European Colour	‡†□	40	+½	42½	15½	12.8	2.8	19.1
Gibbon Lyons	‡†	147	—	164	69	13.3	4.4	16.6
Hartons	□	4½	—	11½	3½	3.35	—	—
7pc Pf		[illegible]						

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

FOOD MANUFACTURERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SPIRITS, WINES & CIDERS - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

Unregulated collective investment scheme.

[illegible]

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FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✝) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (▲) - 1401 to 1700 hours; (#) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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TSB Unit Trusts (1200)F

[illegible]

INSURANCES

[illegible]

OTHER UK UNIT TRUSTS

[illegible]

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Bid Price	Offer Price	+ or -	Yield Gross
Royal Liver Assurance				
Royal Liver Building, Liverpool, L3 1HT. 051-2[illegible] 1451				
UK Equity	82.7	87.0	—	–
Global Equity	62.1	65.4	—	–
High Yield	79.5	83.7	—	–
Intl Equity	88.5	93.2	—	–
Fixed Interest	80.9	85.2	—	–
Money	76.2	80.2	—	–
Managed	84.1	88.6	—	–
Pensions				
UK Equity	90.3	95.0	—	–
Global Equity	63.4	66.8	—	–
High Yield	92.8	97.73	—	–
Intl Equity	99.38	104.6	—	–
Fixed Interest	97.60	102.7	—	–
Money	94.3	99.3	—	–
Managed	94.8	99.8	—	–
Tax Exempt				
Tax Exempt Mgd	71.0	74.7	—	–
S-E-Banken Life Assurance Co Ltd				
149-151 High Rd, Chadwell Hth [illegible] 081-597 7986				
Managed Fund	161.7	170.3	-0.7	–
Pension Mngd Fd	183.2	192.9	-1.8	–
Save & Prosper Group (z)				
16-22 Western Rd, Romford RM1 3LB 0708-766966				
Bal Inv Fd	784.4	830.1	-6.2	2.14
Commodity AD Bond Fd	168.9	177.8	—	–
Deposit Fd	380.4	391.4	—	3.77
Directors' Portfolio	86.7	91.8	-1.3	–
Equity Pens Fd	199.1	210.7	-2.8	–
European Mngd Fd	70.4	74.6	—	–
Gilt Fd	540.0	571.5	-3.1	7.45
Gilt Pens Fd	148.3	157.0	-0.9	7.35
Global Equity Fd	247.9	262.4	-1.2	–
Global Eq Pens Fd	247.2	261.8	-1.8	–
High Int Pens Fd	132.3	140.1	—	[illegible]
Japanese Mngd Fd	94.7	100.3	+0.9	–
Managed Income Fd	51.9	[illegible]	-0.4	[illegible]
Man Pens Fd	206.5	218.6	-1.9	[illegible]
North American Mngd Fd	72.3	76.9	-0.2	–
Pacific Mngd Fd	93.9	99.2	—	–
Property Fd	98.1	103.9	—	[illegible]
Prop Pens Fd	128.1	135.6	—	[illegible]
Templeton Lambert Managed	240.7	254.8	-1.7	–
UK Capital Portfolio	64.7	68.5	-0.7	–

	Bid Price	Offer Price	+ or -	Yield Gross
Skandia Life Assurance Co Ltd - Contd.				
[illegible]	145.7	153.3	+1.7	–
F & C Investment Trust	187.8	197.4	+0.6	–
Framlington Managed	247.6	260.6	-0.1	–
Gartmore Managed	276.0	290.6	-0.6	–
Henderson Managed	277.4	291.9	-0.3	–
Hill Samuel Managed	241.3	253.9	-0.7	–
Invesco Managed	209.7	220.7	—	–
James Capel Core Mngd	146.6	154.3	-0.3	–
Kleinwort Benson Mngd	145.9	153.4	-0.4	–
Martin Currie Mngd	165.7	174.4	+1.8	–
Morgan Grenfell Mngd	166.6	175.3	-0.1	–
Murray Johnstone Managed	159.5	168.9	—	–
Perpetual Managed	231.5	243.7	-0.2	–
Schroder Managed	143.7	151.2	-0.8	–
Pension Managed Funds				
Skandia Cautious	162.7	171.2	—	–
Skandia Balanced	621.5	654.2	+0.3	–
Skandia Ethical Selection	142.4	149.8	—	–
Skandia Deposit	448.5	472.1	+0.1	–
Abtrust Managed	150.2	158.1	+0.1	–
Baring Managed	172.1	181.1	+0.2	–
BZWIM Managed	135.1	142.2	-0.1	–
CU Managed	307.8	323.9	-0.1	–
Fidelity Managed	247.1	260.1	-0.3	–
Fleming Managed Inv Tst	167.5	176.3	+0.3	–
F & C Investment Trust	216.2	227.6	+0.6	–
Framlington Managed	388.2	408.6	—	–
Gartmore Managed	414.6	436.7	-1.1	–
Henderson Managed	371.4	391.0	+0.1	–
Hill Samuel Managed	317.3	334.0	+0.1	–
Invesco Managed	295.9	311.4	-0.1	–
James Capel Core Mngd	169.3	178.0	-0.4	–
Kleinwort Benson Mngd	157.1	165.3	-0.5	–
Martin Currie Mngd	177.8	187.0	+2.3	–
Morgan Grenfell Mngd	190.1	200.1	-0.1	–
Murray Johnstone Mngd	171.9	180.9	+0.1	–
Perpetual Managed	284.5	299.4	+2.3	–
Schroder Managed	158.3	166.6	-0.8	–
Standard Life Assurance Company				
3 George St, Edinburgh EH2 2XZ 031-225 2552				
Managed	729.2	764.6	-7.0	–
Equity	1034.6	1089.3	-11.2	–
Fixed Interest	414.6	436.5	-2.8	–
Index-Linked	212.9	224.2	-1.0	–

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES AND MONEY

MARKETS REPORT

Dollar recovers ground

The dollar yesterday retraced recent losses against the yen, closing in London at Y106.250, nearly two yen up on Friday's close of Y104.300, *writes Philip Gawith.*

The lack of any fresh data and a public holiday in the United States contributed to a quiet afternoon's trading, but dollar/yen trading in particular was fairly brisk in the morning.

In Europe the D-Mark traded steadily despite the IG Metall engineering union calling for a strike ballot in one of the regions. The French government resisted the temptation to ease policy and kept its repo rate unchanged at yesterday's auction.

A lot of attention will today be focused on Mr Alan Greenspan, chairman of the US Federal Reserve, who will deliver his biannual Humphrey Hawkins testimony to Congress today.

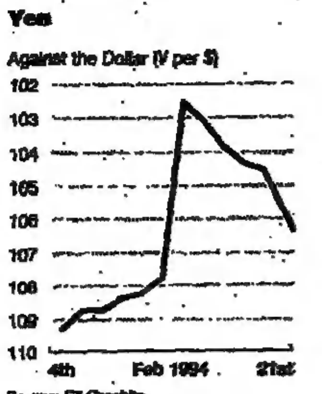
■ The most significant move in the markets yesterday was the sharp appreciation of the dollar against the yen in Asian trading, and later in Europe. Traders said the dollar's rise had been helped by Bank of Japan intervention. The dollar reached a high of *Y106.80* before closing slightly lower.

Mr Nick Parsons, chief economist at CIBC, said with US markets closed because of the President's Day holiday, US banks left stop-loss trade instructions in London. A number of these were triggered at Y106.10 and the selling thus triggered had forced the yen down to Y106.80.

Mr Jeremy Hawkins, chief economist at the Bank of America in London, said the strength of the dollar could reflect nervousness ahead of the weekend meeting of G7 finance ministers meeting in Frankfurt. He said markets were wary of a statement emerging whereby other countries agreed to assist the BOJ in its efforts to stabilise the yen.

Ten days after the failed trade summit in Washington between President Clinton and Mr Hosokawa, no proposals have emerged yet from Japan about how to curb its large trade surplus with the US. Mr Koichiro Matsuura, Japan's deputy foreign minister (and chief trade negotiator) said yesterday: "Prospects for proposals which will lead to agreement are far from certain."

Yen



Source: FT Graphite

■ **Pound in New York**

Feb 18	— Close —	— Prev. close —
£ spot	1.4820	1.4800
1 mth	1.4800	1.4781
3 mth	1.4764	1.4745
1 yr	1.4684	1.4680

■ The D-Mark was weaker against most other European currencies. A firmer start was cancelled out by fears that industrial unrest in Germany might escalate. IG Metall, the giant engineering union, yesterday announced that it would hold a strike ballot in Lower Saxony from March 1-3.

The news caused the D-Mark to weaken over half a pfennig against the dollar to DM1.7310, but it closed slightly firmer in London at DM1.7275, a pfennig down on Friday's close. Analysts said if anything the market had overreacted to the news. From an inflation perspective the key issue is the quantum of the wage settlement and it appears already likely that there will be no real growth.

Mr Parsons said the dollar was also benefiting from foreign exchange markets catching up with bond markets, which have taken a view that a further tightening in US monetary policy is likely.

■ Sterling finished slightly firmer against the D-Mark, closing in London at DM2.5488 from DM2.5406 on Friday. Mr Hawkins said this reflected the general weakness of the D-Mark and a retreat from the recent sell-off of sterling which had been "fairly aggressive".

He said the market was using the opportunity to buy back sterling. "The underlying fact is that the UK economy is growing substantially faster than most of continental Europe and the downside for UK interest rates is also a good deal less than in those countries" he added.

Sterling was slightly weaker against the dollar, closing at $1.4755 from $1.4788 on Friday.

■ Attention will shift firmly back to the US today when markets re-open after yesterday's public holiday. With the recent 0.25 per cent hike in the Federal Funds rate having unnerved international bond markets, Mr Greenspan's comments will be closely watched.

Mr Parsons says that, whereas European markets took the Fed's recent tightening of policy to be a pre-emptive strike against inflation, US markets had taken it as a sign that the Fed was privy to information showing inflation to be worse than previously thought. "You had the bizarre spectacle of a 25 basis points rise in the discount rate putting 40 points on bond yields" said Mr Parsons.

He predicts that the chairman will today try to reassure the bond market by stressing that the inflation outlook is a healthy one.

■ The Bank of England provided the UK money market with £200m of assistance yesterday, in line with with its forecast of a similar liquidity shortage, revised from an earlier £350m estimate.

* *The Other Currencies table below will in future be published daily. The Kuwaiti dinar, the Iranian rial and the UAE dirham are re-instated while rates for the Russian rouble, the Hungarian forint and the Polish zloty will also be published.*

■ **OTHER CURRENCIES**

Feb 21	£	$
Hungary	152.805 - 153.008	103.650 - 103.700
Iran	2584.00 - 2590.00	1748.00 - 1750.00
Kuwait	0.4377 - 0.4386	0.2967 - 0.2972
Poland	32230.8 - 32304.5	21890.5 - 21897.5
Russia	2320.25 - 2321.25	1566.50 - 1567.50
U.A.E.	5.4095 - 5.4307	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
[illegible]													
Malaysia	(M$)	4.1003	-0.0116	981 - 024	4.1264	4.0840	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5770	-0.0005	750 - 790	2.5886	2.5719	2.5804	-1.4	2.5842	-1.1	2.5928	-0.6	-
Philippines	(Peso)	40.8700	-0.0539	418 - 982	41.2041	38.9385	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.5338	-0.0128	321 - 345	5.5589	5.5254	-	-	-	-	-	-	-
Singapore	(S$)	2.3519	+0.0028	500 - 537	2.3643	2.3481	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.1091	+0.0009	071 - 111	5.1230	5.0901	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.7502	-0.0227	417 - 587	6.8034	6.7301	-	-	-	-	-	-	-
South Korea	(Won)	1193.79	-3.97	344 - 414	1200.51	1192.11	-	-	-	-	-	-	-
Taiwan	(T$)	39.0478	+0.0074	338 - 618	39.2200	39.0000	-	-	-	-	-	-	-
Thailand	(Bt)	37.4322	-0.0258	111 - 533	37.5420	37.3600	-	-	-	-	-	-	-

†SDR rate for Feb.18. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	12.1450	+0.066	425 - 475	12.1615	12.0495	12.1637	-1.9	12.1935	-1.6	12.2375	-0.8	102.6
Belgium	(BFr)	35.5850	+0.2085	800 - 100	35.6100	35.2500	35.68	-2.9	35.835	-2.7	36.275	-1.9	103.7
Denmark	(DKr)	6.7562	+0.0319	542 - 582	6.7551	6.6880	6.7714	-2.9	6.8017	-2.6	6.8877	-1.7	103.8
Finland	(FM)	5.5633	+0.0308	583 - 683	5.5748	5.5180	5.5685	-1.1	5.5755	-0.8	5.6023	-0.7	78.7
France	(FFr)	5.8710	+0.0295	695 - 725	5.8830	5.8190	5.8839	-2.6	5.908	-2.5	5.9612	-1.5	104.2
Germany	(D)	1.7275	+0.0085	271 - 278	1.7290	1.7107	1.7312	-2.5	1.7373	-2.3	1.7486	-1.2	103.8
Greece	(Dr)	250.070	+0.82	820 - 320	250.320	248.690	253.67	-17.3	261.07	-17.6	290.07	-16.0	70.9
Ireland	(I£)	1.4168	-0.0056	148 - 188	1.4230	1.4125	1.4138	2.5	1.4081	2.5	1.3917	1.8	-
Italy	(L)	1676.15	+5.9	440 - 590	1678.50	1664.90	1681.45	-4.5	1694.55	-4.6	1738.65	-3.8	77.2
Luxembourg	(LFr)	35.5850	+0.2085	800 - 100	35.6100	35.2500	35.68	-2.9	35.835	-2.7	36.275	-1.9	103.7
Netherlands	(Fl)	1.9379	+0.0104	376 - 381	1.9392	1.9195	1.941	-1.9	1.946	-1.7	1.9536	-0.8	103.2
Norway	(NKr)	7.4738	+0.0368	728 - 748	7.4820	7.4064	7.4833	-1.5	7.5025	-1.5	7.5348	-0.8	94.3
Portugal	(Es)	175.475	+0.875	400 - 550	175.550	174.100	176.345	-5.9	178.12	-6.0	184.55	-5.2	93.7
Spain	(Pta)	140.855	+0.63	930 - 980	141.100	140.080	141.55	-5.1	142.715	-5.0	146.455	-3.9	80.1
Sweden	(SKr)	7.9612	+0.0431	574 - 649	7.9723	7.8948	7.9882	-3.5	8.0322	-3.6	8.1682	-2.6	82.3
Switzerland	(SFr)	1.4555	+0.0055	550 - 560	1.4567	1.4415	1.4584	-0.8	1.4574	-0.5	1.452	0.2	103.9
UK	(£)	1.4755	-0.0033	752 - 757	1.4823	1.4732	1.4735	1.6	1.47	1.5	1.4621	0.9	89.2
Ecu	-	1.1205	-0.0055	202 - 207	1.1305	1.1197	1.1179	2.8	1.113	2.7	1.1025	1.6	-
SDR†	-	1.39607	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9994	+0.0004	993 - 994	0.9994	0.9992	-	-	-	-	-	-	-
Brazil	(Cr)	584.103	-0.007	100 - 105	584.110	584.110	-	-	-	-	-	-	-
Canada	(C$)	1.3406	+0.0028	401 - 411	1.3411	1.3390	1.3409	-0.3	1.3415	-0.3	1.3444	-0.3	86.4
Mexico	(New Peso)	3.1050	-	040 - 060	3.1060	3.1040	3.1066	-0.6	3.1094	-0.6	3.12	-0.5	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	100.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3989	-0.0015	984 - 004	1.4081	1.3976	1.4009	-0.9	1.4038	-1.1	1.4113	-0.8	87.7
Hong Kong	(HK$)	7.7295	-0.0019	290 - 300	7.7340	7.7285	7.731	-0.2	7.7335	-0.2	7.7445	-0.2	-
India	(Rs)	31.3683	-	625 - 700	31.3700	31.3625	31.4313	-2.5	31.5663	-2.6	-	-	-
Japan	(Y)	106.250	+1.95	200 - 300	106.800	104.460	106.155	1.1	105.91	1.3	104.2	1.9	148.1
Malaysia	(M$)	2.7790	-0.0015	780 - 800	2.7853	2.7760	2.7725	2.8	2.7715	1.1	2.794	-0.5	-
New Zealand	(NZ$)	1.7466	+0.0036	455 - 476	1.7476	1.7437	1.7482	-1.1	1.7527	-1.4	1.7689	-1.2	-
Philippines	(Peso)	27.7000	+0.025	500 - 500	27.8500	27.3500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0001	501 - 504	3.7504	3.7501	3.7527	-0.8	3.7571	-0.7	3.7758	-0.7	-
Singapore	(S$)	1.5940	+0.0056	930 - 950	1.5950	1.5870	1.5929	0.9	1.5907	0.8	1.603	-0.6	-
S Africa (Com.)	(R)	3.4628	+0.0085	620 - 635	3.4690	3.4515	3.4798	-5.9	3.5068	-5.3	3.6153	-4.4	-
S Africa (Fin.)	(R)	4.5750	-0.005	700 - 800	4.6100	4.5800	4.606	-8.1	4.665	-7.9	-	-	-
South Korea	(Won)	809.100	-0.85	000 - 200	809.600	809.000	812.1	-4.4	815.6	-3.2	834.1	-3.1	-
Taiwan	(T$)	26.4650	+0.065	600 - 700	26.4700	26.4500	26.5675	-4.6	26.715	-3.8	-	-	-
Thailand	(Bt)	25.3700	+0.04	600 - 800	25.3800	25.3200	25.44	-3.3	25.58	-3.3	25.72	-1.4	-

†SDR rate for Feb.18. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan indices shown for Feb.18. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.98	16.49	4.853	1.982	4707	5.444	21.00	493.0	395.8	22.37	4.090	1.904	3.766	2.810	298.6	2.508
Denmark	(DKr)	52.69	10	8.691	2.557	1.044	2480	2.868	11.07	259.8	208.6	11.78	2.155	1.003	1.985	1.481	157.3	1.321
France	(FFr)	60.63	11.51	10	2.943	1.202	2854	3.301	12.73	298.9	240.0	13.56	2.480	1.154	2.284	1.704	181.0	1.520
Germany	(DM)	20.60	3.910	3.398	1	0.408	969.8	1.122	4.327	101.6	81.56	4.610	0.843	0.392	0.776	0.579	61.51	0.517
Ireland	(I£)	50.45	9.574	8.321	2.449	1	2375	2.746	10.60	248.7	199.7	11.29	2.063	0.961	1.900	1.418	150.6	1.265
Italy	(L)	2.125	0.403	0.350	0.103	0.042	100.	0.116	0.446	10.47	8.410	0.475	0.087	0.040	0.080	0.060	6.343	0.053
Netherlands	(Fl)	18.37	3.486	3.030	0.892	0.364	864.8	1	3.858	90.56	72.72	4.110	0.751	0.350	0.692	0.516	54.84	0.461
Norway	(NKr)	47.62	9.036	7.853	2.311	0.944	2241	2.592	10	234.7	188.5	10.65	1.947	0.907	1.793	1.338	142.2	1.194
Portugal	(Es)	20.29	3.850	3.346	0.985	0.402	954.8	1.104	4.260	100.	80.30	4.538	0.830	0.386	0.764	0.570	60.56	0.509
Spain	(Pta)	25.26	4.794	4.166	1.226	0.501	1189	1.375	5.305	124.5	100.	5.652	1.033	0.481	0.951	0.710	75.42	0.633
Sweden	(SKr)	44.70	8.483	7.372	2.169	0.886	2104	2.433	9.387	220.3	176.9	10	1.828	0.851	1.683	1.256	133.4	1.121
Switzerland	(SFr)	24.45	4.640	4.033	1.187	0.485	1151	1.331	5.135	120.5	96.79	5.470	1	0.466	0.921	0.687	73.00	0.615
UK	(£)	52.52	9.967	8.662	2.549	1.041	2472	2.859	11.03	258.8	207.8	11.75	2.148	1	1.978	1.476	156.8	1.317
Canada	(C$)	26.55	5.039	4.379	1.289	0.526	1250	1.445	5.576	130.9	105.1	5.940	1.086	0.506	1	0.746	79.27	0.666
US	($)	35.58	6.753	5.869	1.727	0.705	1675	1.937	7.473	175.4	140.8	7.961	1.456	0.678	1.340	1	106.2	0.892
Japan	(Y)	334.9	63.57	55.24	16.26	6.639	15765	18.23	70.34	1651	1326	74.94	13.70	6.378	12.61	9.413	1000.	8.399
Ecu		39.88	7.568	6.577	1.935	0.790	1877	2.171	8.375	196.6	157.9	8.922	1.631	0.759	1.502	1.121	119.1	1

Yen per 1,000: Danish Kroner, French Franc, Norwegian Kroner and Swedish Kronor per 10; Belgian Franc, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.5780	0.5837	+0.0052	0.5836	0.5790	46,761	126,928
Jun	0.5770	0.5807	+0.0052	0.5808	0.5769	1,208	10,828
Sep	0.5753	0.5787	+0.0052	0.5780	0.5748	2	329

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100 (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.9606	0.9595	-0.0002	0.9660	0.9538	25,856	91,816
Jun	0.9650	0.9631	-0.0003	0.9654	0.9567	742	8,262
Sep	-	0.9676	-0.0004	0.9698	0.9660	5	840

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6865	0.6946	+0.0088	0.6950	0.6884	18,295	40,012
Jun	0.6875	0.6939	+0.0090	0.6944	0.6863	861	2,226
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **STERLING FUTURES** (IMM) £62,500 per £ (Feb 18)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.4770	1.4818	+0.0054	1.4840	1.4790	8,773	39,324
Jun	1.4720	1.4768	+0.0054	1.4780	1.4692	126	2,924
Sep	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Feb 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.808628	0.791966	-0.000098	-2.06	4.72	14
Netherlands	2.19672	2.17468	+0.00141	-1.00	3.60	-
Belgium	40.2123	39.9173	+0.0164	-0.73	3.32	5
Germany	1.94964	1.93805	+0.00117	-0.59	3.17	-
France	6.53883	6.59095	+0.00117	0.80	1.75	-7
[illegible]						

MONEY MARKET FUNDS

APPOINTMENTS

WORLD STOCK MARKETS

EUROPE

NETHERLANDS (Feb 21 / Fls.)

PACIFIC

JAPAN (Feb 21 / Yen)

NORWAY (Feb 21 / Kroner)

SPAIN (Feb 21 / Pts.)

SWEDEN (Feb 21 / Kronor)

SWITZERLAND (Feb 21 / Frs.)

GERMANY (Feb 21 / Dm.)

ITALY (Feb 21 / Lire)

HONG KONG (Feb 21 / H.K.$)

MALAYSIA (Feb 21 / M.$)

SINGAPORE (Feb 21 / S$)

AUSTRALIA (Feb 21 / Aust.$)

NORTH AMERICA

CANADA

TORONTO (Feb 21 / Can $)

4 pm close

MONTREAL (Feb 21 / Can $)

4 pm close

AFRICA

SOUTH AFRICA (Feb 21 / Rand)

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are 1993-94, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

FT FREE ANNUAL REPORTS SERVICE

■ TOKYO – MOST ACTIVE STOCKS: Monday, February 21, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nitsuko	6.0m	1,410	+70	Hitachi	2.2m	892	+3
Fujitsu	4.1m	1,010	+26	Sanyo Elec	2.1m	454	+15
Nippon Oil	3.7m	721	+8	Matsushita El Ind	2.0m	1,720	+20
Toshiba	2.7m	717	-1	Toei	1.8m	800	+80
Nippon Steel	2.6m	340	+1	Mitsubishi Hvy	1.8m	670	-4

INDICES

CROSS-BORDER

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2240.0	2220.0	-38.0	2252.0	2220.0	24,066	15,706
Mar	2250.5	2229.5	-40.0	2281.0	2229.0	5,264	49,743
Apr	2260.5	2241.5	-39.0	2260.5	2258.0	72	950

Open interest figures for previous day

US INDICES

Dow Jones	Feb 18	Feb 17	Feb 16	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Industrials	3887.46	3922.64	3937.27	3978.36 (31/1/94)	3241.95 (20/1/93)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	104.59	104.81	104.81	108.77 (18/10/93)	103.49 (11/1/93)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1795.42	1798.51	1801.60	1862.29 (2/2/94)	1453.84 (4/1/93)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	208.54	212.10	212.78	256.46 (31/8/93)	208.34 (18/2/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3931.82 (3975.82) Low 3868.73 (3894.21) (Theoretical¶)
Day's high 3923.20 (3957.01) Low 3880.43 (3905.60) (Actual¶)

Standard and Poors	Feb 18	Feb 17	Feb 16	1993/4 High	1993/4 Low	Since compilation High	Since compilation Low
Composite ‡	467.69	470.34	472.79	482.00 (2/2/94)	429.05 (8/1/93)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	548.47	551.25	553.80	560.59 (2/2/94)	496.48 (26/4/93)	560.59 (2/2/94)	3.62 (21/6/82)
Financial	43.94	44.23	44.53	48.48 (28/6/93)	39.59 (8/1/93)	48.48 (28/6/93)	8.84 (1/10/74)
NYSE Comp.	258.87	261.38	262.55	267.71 (2/2/94)	236.21 (8/1/93)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	470.95	474.46	475.32	487.89 (2/2/94)	395.84 (8/1/93)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	789.85	790.24	792.62	800.47 (31/1/94)	645.87 (25/4/93)	800.47 (31/1/94)	54.87 (31/10/72)

■ RATIOS

	Feb 18	Feb 11	Feb 4	Year ago
Dow Jones Ind. Div. Yield	2.59	2.58	2.62	3.07
	Feb 16	Feb 9	Feb 2	Year ago
S & P Ind. Div. yield	2.34	2.35	2.32	2.55
S & P Ind. P/E ratio	26.18	26.07	26.51	26.51

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	470.10	468.15	-2.25	471.50	465.30	51,298	180,705
Jun	472.50	469.45	-2.25	472.70	466.40	3,181	8,807
Sep	472.10	471.20	-2.20	474.35	468.50	119	1,214

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Telefonos	5,002,900	71⅛	-2¼
Paramount	3,459,100	75	-1¼
Merck	3,209,100	32⅝	-⅛
Wal-Mart	3,129,900	27⅝	_
K Mart	2,806,400	19⅞	-⅛
IBM	2,678,100	52⅝	-⅜
Gen Motors	2,642,900	59⅝	-⅛
GTE	2,545,900	31⅛	-⅜
Am Barrick	2,530,900	25	-⅛
Chrysler	2,526,800	58	-⅜

■ TRADING ACTIVITY

● Volume (million)	Feb 18	Feb 17	Feb 16
New York SE	289.202	338.879	295.390
Amex	17.120	19.197	19.371
NASDAQ	(a)	354.812	338.501
NYSE			
Issues Traded	2,739	2,761	2,751
Rises	701	878	1,187
Falls	1,418	1,263	941
Unchanged	620	620	623
New Highs	45	100	103
New Lows	98	51	41

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

EUROPE

Bond market declines push shares lower

Friday's free fall in US long bonds gave bourses another bad day, *writes Our Markets Staff.*

FRANKFURT returned to the real world, said Mr Edgar Benischek, head of trading at Bank Julius Bär in Frankfurt. The big financials, such as Allianz, Deutsche Bank and Dresdner, had studiously ignored a falling bund market last week, he said, with options expiring on Friday; yesterday they dropped with the Dax index which closed the session 32.44 lower at 2,119.53, the Ibis-indicated Dax easing later to 2,108.06.

The Bund future, said Mr Benischek, was the key to the decline; it dropped 87 basis points to 97.24 yesterday after a rough Friday in New York.

Turnover fell from DM9.9bn to DM6.4bn. Story led stocks were clearly uncomfortable. Metallgesellschaft dropped another DM20.50 to DM175.50 ahead of today's results conference: BMW, with Honda planning to sell its equity stake in Rover, fell DM19.50 to DM848, and shed another DM8 after hours on profit-taking after last week's 8 per cent gain.

Mannesmann, a recent Anglo-Saxon choice on its cellular telephone prospects, lost DM8.50 to DM428 on the session and another DM4 in the afternoon. PWA, the papermaker, which had led the market early this year on its cyclical recovery prospects, fell DM10, or more than 4 per cent to DM228 on a group net loss of DM240m.

PARIS was disappointed on a number of counts: weakness in the bond market, lack of a rate cut from the Bank of France and worries over the direction of Wall Street when it re-opens later today.

On the last day of the account the CAC-40 index lost 36.58 or 1.6 per cent to 2,215.20. Turnover was moderate at FFr4.6bn.

Elf Aquitaine continued to fall back in heavy volume, the shares losing FFr3.30 to FFr415.00.

AMSTERDAM featured a steep fall in Nedlloyd as the market reacted to a larger than expected convertible bond issue, the shares dipping Fl 3.20 to Fl 74.80.

The AEX index closed off 1.33 to 425.53.

Unilever, with results due today, and Akzo, which is expected to report later in the week, both advanced by Fl 2.30, to Fl 227.80 and Fl 215.90 respectively.

MILAN produced some winners as the Comit index lost 4.46 to 684.55 in thin trading.

Fiat added L15 to L4,965, after a low of L4,880, in spite of protests and last-minute wrangling which delayed final agreement on a key deal with unions to shed 16,500 jobs.

Banks saw BCI climb a further L52 to L6,221 ahead of its privatization at the end of the month; longer term privatization prospects for Banca Nazionale del Lavoro and recent management changes helped the savings shares L1,527 or 10.9 per cent higher to L15,540; and Banco di Napoli rose by L195, or 9.2 per cent to L2,315 on speculation that it could be added to the list of privatisation candidates.

Wall Street was closed yesterday for President's Day.

MADRID, one of the European markets picked out for growth by the strategists this year, had profits left to take after a gentle decline last week. The general index tumbled by 7.10 to 338.36 in turnover of Pta25.7bn.

Dealers said that the downtrend was stronger at the end of the day. Banks and electrical utilities led the way down, with Argentaria Pta230 off at Pta6,300 and Sevillana Pta29 lower at Pta772.

ZURICH edged lower in quiet trading as weakness in the bond market continued to weigh on equities. The SMI index shed 28.3 to 2,997.6.

Mr Simon Marshall Lockyer at Kleinwort Benson, who maintains a neutral weighting on the Swiss market, noted that profit-taking in financials, and particularly the insurance sector as the reporting season began had contributed to the flat performance of Swiss market, compared with the FT-A Europe ex-UK, over the last month. However, a sharp fall in January inflation to 2.1 per cent suggested that further cuts in domestic interest rate cuts were possible, although large reductions were more likely elsewhere, which suggested an end to the trading run in the bank and insurers.

ISTANBUL resumed a downward course after Friday's advance with a fall of 10.5 per cent in the composite index, which lost 2,024.52 to 17,250.12.

Trading remains volatile, with investors still attracted by high money market rates: the central bank raised overnight interest rate to 110 per cent yesterday from 90 per cent.

WARSAW remained confident. In spite of a sharp fall in Bank Slaski, which lost 8.7 per cent to 4.2m zlotys, the WIG index rose 299 or 1.6 per cent to a record 19,358.3 in turnover of 3,700bn zlotys.

Last Thursday, Bank Slaski's stockbroking licence was revoked. Late on Friday, however, the stock exchange said that it would not suspend trade in the bank; the finance ministry felt that new shareholders had been penalised, because trading had begun before everyone had registered their stock.

TEL AVIV dropped as small investors, acting through mutual funds, dumped stocks into institutional hands following stock exchange investigations into alleged insider trading and share-price manipulation. The Mishtanim index lost 11.04 or 4.9 per cent to 214.99.

ATHENS closed 4.9 per cent higher as hopes grew that a peaceful solution to the Bosnia crisis lay ahead. The general index added 51.82 to 1,119.7 in volumes of 1.8m shares.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Feb 21	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1483.49	1484.99	1484.81	1482.19	1483.29	1483.78	1483.33	1483.51
FT-SE Eurotrack 200	1538.55	1538.49	1538.19	1536.07	1536.31	1538.10	1537.86	1539.13

	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14
FT-SE Eurotrack 100	1495.00	1516.65	1491.80	1483.24	1477.57
FT-SE Eurotrack 200	1550.75	1569.18	1554.49	1540.98	1534.08

Base value 1000 (26/10/90); Highday: 100 - 1485.66; 200 - 1540.97 Lowday: 100 - 1482.47 200 - 1536.02

ASIA PACIFIC

Tokyo gains 2.3% as Hong Kong falls

Tokyo

The yen's fall against the dollar encouraged buying among arbitrageurs, and the Nikkei 225 average gained 2.3 per cent, recovering the 19,000 level for the first time in three trading days, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 rose 434.34 to 19,393.94 as the yen fell to the Y105 level on continued buying of the dollar by the Bank of Japan. The index registered a day's low of 18,826.68 in the morning before rising to a high of 19,415.14 in the afternoon on index-linked buying.

However, some analysts were ambivalent over a continued rise in share prices. "There is not much significance in the rise, since volume was so low," said Mr Jason James, a strategist at James Capel. He thought that the yen would not weaken much further, and that it could remain at current levels for at least another month until a decisive breakthrough was made on trade talks between the US and Japan.

Volume was 220m shares, against Friday's 365m. In spite of a sense of relief over the yen's weakening, most investors remained inactive. Large-lot buying by foreign investors, seen during the past month, was also absent.

The Topix index of all first section stocks put on 12.85 at 1,569.96 and the Nikkei 300 added 2.55 at 290.51. Advances overwhelmed declines by 651 to 327, with 188 issues unchanged. In London the ISE/Nikkei 50 index firmed 3.69 to 1,307.11.

Arbitrage buying supported bank shares. Industrial Bank of Japan improved Y10 to Y3,200 and Sakura Bank moved ahead Y20 to Y1,470.

The yen's decline supported export-oriented high-technology shares. Sony advanced Y80 to Y6,110 and Matsushita Electric Industrial Y20 to Y1,720. Toyota Motor was also strong, rising Y60 to Y1,930, while Honda Motor appreciated Y40 to Y1,660.

Telecommunications-related stocks gained ground, with buying focused on the multi-media theme. Nitsuko, the most active issue of the day, climbed Y70 to Y1,410 and Fujitsu Y26 to Y1,010. Nippon Telegraph and Telephone added Y14,000 at Y914,000.

Sega Enterprises fell Y60 to Y7,220 on continued pessimism over its earnings following a downward revision in profits last Friday. Pioneer Electronic slipped Y10 to Y2,570.

In Osaka, the OSE average rose 168.20 to 21,264.40 in volume of 41.3m shares.

Roundup

There were mixed performances from the region's markets yesterday, although Hong Kong's decline was almost mirrored in Australia.

HONG KONG closed sharply lower on institutional selling. The Hang Seng index fell by 369.43, or 3.4 per cent, to 10,456.45. Turnover slipped to HK$4.3bn from Friday's HK$4.7bn.

Profit-taking was evident in the banking sector, where HSBC Holdings surrendered HK$3 to HK$116 and Hang Seng Bank receded HK$2.50 to HK$70.50.

The property sub-index dropped 791, or 4 per cent, to 18,616, with Cheung Kong declining HK$1.50 to HK$43 and Sun Hung Kai Properties retreating HK$2.50 to HK$58.

AUSTRALIA was dragged down by sharp falls overseas and weaker futures and bonds, and fell 2 per cent to its lowest level in a month, the All Ordinaries index finishing 44.7 down at 2,178.5.

Worst hit were media and some resource stocks, particularly coal. News Corp fell 40 cents to A$10.08 and the Nine Network 8 cents to A$5.84 as the media index weakened 3.1 per cent.

SINGAPORE moved cautiously higher, with many investors remaining absent ahead of tomorrow's budget. The Straits Times Industrial index rose 16.60 to 2,350.87.

SEOUL moved upwards for the third consecutive session, helped by activity in blue chip issues, and the composite index added 13.07 at 946.00.

Kepco, the electricity utility, and Posco, the steel manufacturer, gained Won600 and Won2,000 respectively at Won31,100 and Won64,200.

TAIWAN eased back in the lowest day's volume seen so far this year. The weighted index receded 29.93 to 5,783.89 in turnover of T$42.2bn.

MANILA declined in late trading, influenced by the fall in Hong Kong and a setback in PLDT in New York on Friday.

The Manila composite index shed 39.8 to 3,005.6 in turnover of 779m pesos, compared with Friday's 1.3bn pesos. PLDT, which lost [illegible] in New York on Friday, dropped 1.4 per cent to 2,140 pesos.

JAKARTA fell 2 per cent, blaming overall bearish sentiment and increasing foreign sell orders as the JKSE index dipped a further 11.02 to 543.76.

KARACHI anticipated more foreign buying as it rose on government incentives for the energy sector, the KSE-100 index closing 25.86 stronger at 2,375.41.

BOMBAY climbed 5.5 per cent, the BSE index ending 214.48 higher at 4,129.53 in expectation of further economic reforms, including fiscal concessions to industry in the national budget next Monday.

Brokers said that budget rumours included a reduction in corporate taxes, the raising of tax limits on individual incomes and full convertibility for the rupee on current account.

Equities react to unexpected

By Michael Morgan

A series of largely unexpected political and economic developments in Japan, Europe and the US provided the impetus for equity markets last week.

Most European markets managed modest advances over the week, although Paris, Amsterdam and Madrid were exceptions, but the FT-Actuaries World index dipped as sharp falls in south-east Asian markets took their toll.

In Tokyo, a higher yen in the aftermath of the breakdown in trade talks with the US left equities sinking. Kleinwort Benson, which sees very little possibility of a trade war, comments: "The real worry for Japanese equity markets is that the administration will talk the yen higher. A higher yen means lower profits. With the market always having been earnings, rather than interest rate, driven through the current economic malaise, lower profits mean lower equity prices."

Conversely, Nomura, which was surprised by the speed and extent of the rise in the yen, remained bullish on the outlook for the Japanese stock market. "The impact of an overvalued currency (and possible trade sanctions) and the full force of domestic reflation could see the trade surplus shrink with surprising rapidity," the bank says. "A further cut in the discount rate in Japan, and rise in the US, should also help. The pace of corporate restructuring, moreover, could well accelerate, increasing visibility of a dramatic profits recovery as and when the recovery gets under way."

Europe, meanwhile, had interest rates on its mind, although in the event the Bundesbank's decision to act on Thursday took most analysts by surprise.

UBS notes that after innumerable false dawns the Bundesbank's decision to lower the discount rate by 50 basis points represented the first reduction in German official rates since early October.

"The nature of the reduction – lowering the discount rate and keeping the Lombard rate constant while maintaining the repo rate fixed at 6 per cent – gives the Buba plenty of room to manoeuvre over the coming months. European rates are now firmly back on the agenda and a return to last year's 'salami slice' reductions in the repo rate is now in prospect."

UBS adds that the German move paves the way for the Banque de France to cut its rates after its council meeting on Thursday, although perhaps by less than the German 50 basis points.

"The [French] central bank's continued dogged attachment to relatively high interest rates remains a source of puzzlement. The central bank alternates between exchange rate concerns and credibility worries to publicly justify its obstinacy," UBS notes.

At the same time, the debate over the relative attractions of Europe and Asian markets for equity investors continued apace.

A Smith New Court-Gallup poll revealed that 18 per cent of UK fund managers planned to reduce their exposure to continental European equities – the biggest negative balance since the survey began in the middle of 1990 – in favour of Japan, although the broker notes that the worries for Europe seemed to be mainly short term.

James Capel, however, takes an opposite view, saying that there remained a huge weight of money to be invested in equities, and while the Far East needs longer to simmer down and Japan to return to the boil, Europe was expected to be a major beneficiary.

By the end of last week, attention had turned to the sell-off in US bonds after bad news on the business outlook and inflation from the Philadelphia Federal Reserve. European equities and bonds felt the pinch on Friday as Wall Street tumbled, but investors were adopting a cautious attitude yesterday, awaiting new clues when Wall Street resumes trading after the long holiday weekend.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1994	% change in sterling † Start of 1994	% change in US $ † Start of 1994
Austria	-0.85	-2.80	+34.93	+41.34	+36.36	+33.19
Belgium	+0.42	+0.90	+25.61	+34.91	+29.78	+28.78
Denmark	+1.92	+2.50	+42.28	+56.98	+49.99	+48.50
Finland	+0.23	+1.59	+107.57	+130.04	+122.83	+117.47
France	-1.14	+0.31	+22.24	+28.36	+24.29	+21.40
Germany	+1.90	+2.91	+26.27	+37.67	+32.87	+29.78
Ireland	+1.69	-5.29	+56.17	+64.27	+47.40	+43.96
Italy	+0.39	+12.24	+39.53	+61.74	+46.18	+42.77
Netherlands	-1.89	-1.17	+35.18	+42.81	+37.97	+34.76
Norway	+1.57	+1.96	+52.10	+58.86	+49.42	+45.94
Spain	-1.06	+1.53	+42.08	+57.31	+31.48	+28.42
Sweden	+4.62	+1.83	+46.59	+63.20	+40.11	+36.84
Switzerland	+1.55	-0.44	+43.36	+47.51	+52.64	+49.05
UK	+0.06	-2.95	+20.85	+21.62	+21.62	+18.79
EUROPE	+0.31	-0.21	+28.09	+33.66	+30.36	+27.34
Australia	-1.29	-1.23	+33.09	+37.66	+46.22	+42.81
Hong Kong	-6.15	-6.86	+75.66	+87.19	+102.15	+97.45
Japan	-3.10	-0.95	+20.55	+16.19	+48.08	+42.68
Malaysia	-1.37	+4.30	+96.31	+101.58	+94.52	+90.00
New Zealand	-3.38	-0.61	+43.38	+49.61	+70.98	+67.01
Singapore	-1.82	+1.81	+52.19	+57.17	+66.18	+62.36
Canada	-0.52	-3.43	+21.65	+23.06	+19.75	+16.97
USA	-0.47	-1.38	+7.90	+8.81	+9.35	+6.81
Mexico	-1.61	+4.26	+72.03	+84.13	+58.58	+54.88
South Africa	+2.01	+2.42	+48.50	+58.72	+72.25	+68.24
WORLD INDEX	-1.18	-0.99	+19.12	+19.88	+27.69	+24.73

† Based on February 18th 1994. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited.

AMERICA

Toronto down ahead of budget

Canada

Toronto was under pressure from weaker Canadian bonds ahead of today's release of the 1994/95 federal budget. By noon, the TSE 300 Composite index was 39.11 lower at 4,339.28 in volume of 21.7m shares.

Alcan shed C$1 to C$29½ and Inco C$½ to C$34¼, contributing to an 82.64 or 2.3 per cent fall to 3,513.89 in the Metals and Minerals index.

Banking stocks were also active ahead of fourth quarter results this week. Royal Bank of Canada fell C$⅛ to C$29⅛ and Bank of Montreal dipped C$⅝ to C$28⅛.

Brazil

Equities in São Paulo were 2.5 per cent higher in heavy midday trade as investors exercised contracts during the settlement of options.

The Bovespa index had gained 237 at 9,686 by 1 pm.

Turnover reached a record high Cr743.2bn ($1.3bn).

● Foreigners invested a net $5.47bn in Brazil's capital markets in 1993, almost five times the amount that flowed into the country in 1992, according to the Securites and Exchange Commission, *Reuter reports from São Paulo.*

This compares with $1.21bn in 1992 and $288m in 1991.

According to latest estimates, investment in January was $1bn, some four times the amount that flowed into the country in the same month last year.

SOUTH AFRICA

Bullion weakness pressures gold stocks

Johannesburg struggled to attract investor interest owing to the closure of Wall Street, with traders commenting that only weakness in the price of bullion provided some direction throughout the session.

Sentiment also remained under pressure from the stalled constitutional talks and further violence at the weekend, when 15 ANC election campaigners were killed in Natal province.

The golds index lost 40 at 1,862, industrials gained 9 at 5,704 and the overall index edged down 21 to 4,831.

Both De Beers and Anglos declined R1.50 to R105.50 and R194 respectively. In golds, Kloof shed 50 cents to R43.25 and Vaal Reefs R12 to R406.

Among the industrial stocks, Barlow Rand dipped 10 cents to R28.50 and SAB fell by 75 cents to R87.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY FEBRUARY 18 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY FEBRUARY 17 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993/94 High	1993/94 Low	Year ago (approx)
Australia (69)	178.69	-1.2	179.15	117.81	159.61	166.56	-0.9	3.18	180.85	181.91	119.27	163.04	168.11	189.15	128.29	129.32
Austria (17)	186.69	0.5	187.16	123.08	166.74	166.51	-0.5	0.98	185.83	186.91	122.54	167.62	167.27	195.41	139.63	144.22
Belgium (42)	168.88	1.2	169.31	111.34	150.84	147.38	0.4	3.90	166.87	167.84	110.04	150.43	146.78	169.08	140.84	140.84
Canada (107)	135.26	-0.3	135.60	89.17	120.81	131.02	-0.6	2.57	135.72	136.51	89.50	122.35	131.76	145.31	117.81	117.81
Denmark (32)	272.67	1.3	273.37	179.77	243.54	249.34	1.0	0.91	269.11	270.68	177.47	242.60	246.97	275.79	195.86	206.17
Finland (22)	151.38	-0.6	151.77	99.80	135.21	175.77	-1.1	0.58	152.30	153.19	100.44	137.30	177.67	156.72	68.33	68.33
France (99)	178.68	-0.4	179.13	117.80	159.59	163.72	-1.1	2.84	179.38	180.42	118.29	161.71	165.58	185.37	149.60	154.33
Germany (59)	135.02	1.9	135.37	89.02	120.60	120.60	0.9	1.78	132.54	133.32	87.41	119.49	119.49	142.38	107.59	112.47
Hong Kong (56)	437.48	0.2	438.59	288.42	390.74	434.23	0.2	2.45	436.40	438.95	287.79	393.42	433.29	508.56	233.84	249.05
Ireland (14)	195.47	0.0	195.98	128.88	174.60	193.64	-0.6	2.88	195.55	196.69	128.96	176.29	194.85	209.33	131.69	131.69
Italy (69)	78.34	-0.1	78.54	51.65	69.97	97.68	-0.7	1.73	78.39	78.84	51.69	70.67	98.34	78.93	55.21	60.21
Japan (469)	149.86	0.3	150.24	98.80	133.85	98.80	0.2	0.82	149.46	150.33	98.56	134.74	98.56	165.91	107.97	108.45
Malaysia (69)	496.77	1.3	498.04	327.52	443.71	531.97	1.3	1.37	490.32	493.18	323.35	442.03	525.16	621.63	267.68	267.68
Mexico (18)	2552.21	-0.6	2558.74	1682.65	2279.54	8664.37	-0.6	0.58	2568.35	2583.30	1693.70	2315.32	8719.15	2647.06	1410.30	1489.14
Netherland (26)	204.03	-0.5	204.56	134.52	182.24	179.50	-1.3	2.95	204.95	206.14	135.15	184.76	181.69	207.43	158.16	158.16
New Zealand (14)	71.63	-2.4	71.81	47.22	63.98	86.29	-2.1	3.50	73.38	73.81	48.39	66.16	87.73	77.59	44.19	44.82
Norway (23)	200.98	0.4	201.49	132.50	179.50	202.82	-0.2	1.48	200.23	201.40	132.04	180.50	203.27	204.44	138.63	141.21
Singapore (45)	346.33	0.0	347.22	228.34	309.34	253.51	-0.1	1.60	346.27	348.29	228.35	312.16	253.80	378.92	213.57	220.19
South Africa (60)	249.17	-0.5	249.80	164.27	222.55	249.43	-0.6	2.32	250.50	251.96	165.19	225.82	251.03	280.26	160.78	166.41
Spain (42)	149.75	-0.6	150.14	98.73	133.75	153.20	-1.0	3.68	150.62	151.50	99.33	135.78	160.86	155.79	116.33	126.26
Sweden (36)	226.56	2.1	227.14	149.37	202.36	265.56	1.2	1.34	221.96	223.26	146.38	200.10	262.32	230.02	154.59	162.19
Switzerland (49)	168.48	-0.6	168.91	111.08	150.48	151.45	-1.3	1.44	169.42	170.40	111.72	152.72	153.60	176.56	109.14	112.91
United Kingdom (215)	204.75	-0.8	205.27	134.99	182.88	205.27	-1.2	3.51	206.55	207.75	136.21	186.21	207.75	214.96	163.23	165.80
USA (516)	190.22	-0.6	190.71	125.41	169.90	190.22	-0.6	2.76	191.28	192.39	126.14	172.44	191.28	196.04	176.29	176.29
EUROPE (745)	173.19	-0.1	173.63	114.18	154.69	168.87	-0.7	2.72	173.43	174.44	114.37	156.34	168.11	178.58	136.35	137.74
Nordic (113)	217.70	1.4	218.26	143.53	194.44	223.27	0.7	1.14	214.72	215.97	141.60	193.56	221.84	220.60	145.85	150.10
Pacific Basin (722)	161.07	0.2	161.48	106.19	143.86	110.80	0.2	1.09	160.75	161.69	106.01	144.92	110.58	166.80	113.79	113.79
Euro-Pacific (1467)	165.96	0.1	166.38	109.42	148.23	132.36	-0.2	1.80	165.87	166.84	109.39	149.53	132.64	170.78	123.36	123.47
North America (625)	186.81	-0.5	187.29	123.16	166.85	186.15	-0.5	2.75	187.83	188.92	123.87	169.33	187.18	192.73	172.67	172.67
Europe Ex. UK (530)	152.78	0.3	153.17	100.72	136.45	144.11	-0.4	2.22	152.28	153.17	100.42	137.28	144.75	155.79	119.31	120.18
Pacific Ex. Japan (253)	269.22	-0.1	269.91	177.50	240.46	247.99	-0.1	2.45	269.58	271.14	177.77	243.01	248.15	298.21	164.34	168.07
World Ex. US (1652)	167.62	0.0	168.04	110.51	149.71	135.67	-0.2	1.81	167.58	168.56	110.51	151.07	135.98	172.51	124.49	124.57
World Ex. UK (1955)	171.18	-0.1	171.62	112.86	152.89	147.75	-0.3	2.00	171.37	172.37	113.01	154.48	148.13	175.58	138.71	138.71
World Ex. So. Af. (2110)	173.69	-0.2	174.13	114.51	155.13	151.94	-0.3	2.15	174.01	175.02	114.75	156.87	152.48	178.56	140.99	140.99
World Ex. Japan (1701)	188.78	-0.4	189.27	124.46	168.61	184.88	-0.6	2.68	189.48	190.58	124.95	170.81	185.96	195.20	159.64	159.64
The World Index (2170)	174.12	-0.2	174.56	114.79	155.51	152.73	-0.3	2.16	174.44	175.46	115.04	157.26	153.27	178.97	141.06	141.06

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